

March 28, 1988

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Sorrell-Lord battle may push IBM out

By JON LAFAYETTE

NEW YORK—In this fight, there are no winners.

As Martin Sorrell and Richard Lord prepare to do battle in court today, the smart money is betting that the prize \$125 million IBM Corp. account probably won't end up in either camp.

The reason is a scorched-earth policy being followed by both WPP Group's group chief executive and the former chairman of Lord, Geller, Federico, Einstein that threatens to destroy the environment to such an extent that conservative IBM ends up walking away from any agency associated with them.

Knowledgeable sources here believe IBM eventually will leave LGFE and also spurn the newly formed breakaway shop, Lord, Einstein, O'Neill & Partners, backed by Young & Rubicam.

This speculation is rampant despite the fact that IBM, comprising as much as 60% of LGFE's total billings, said late last week that its account isn't up for review. But, an IBM spokesman said, the company won't speculate on the future.

Where could IBM go if these forecasts become a reality? It could turn to Saatchi & Saatchi Advertising or DDB Needham Worldwide, each already handling pieces of the computer marketer's business in various parts of the world.

Executives at both agencies expressed hope that IBM would re-

view its business and that they would be included.

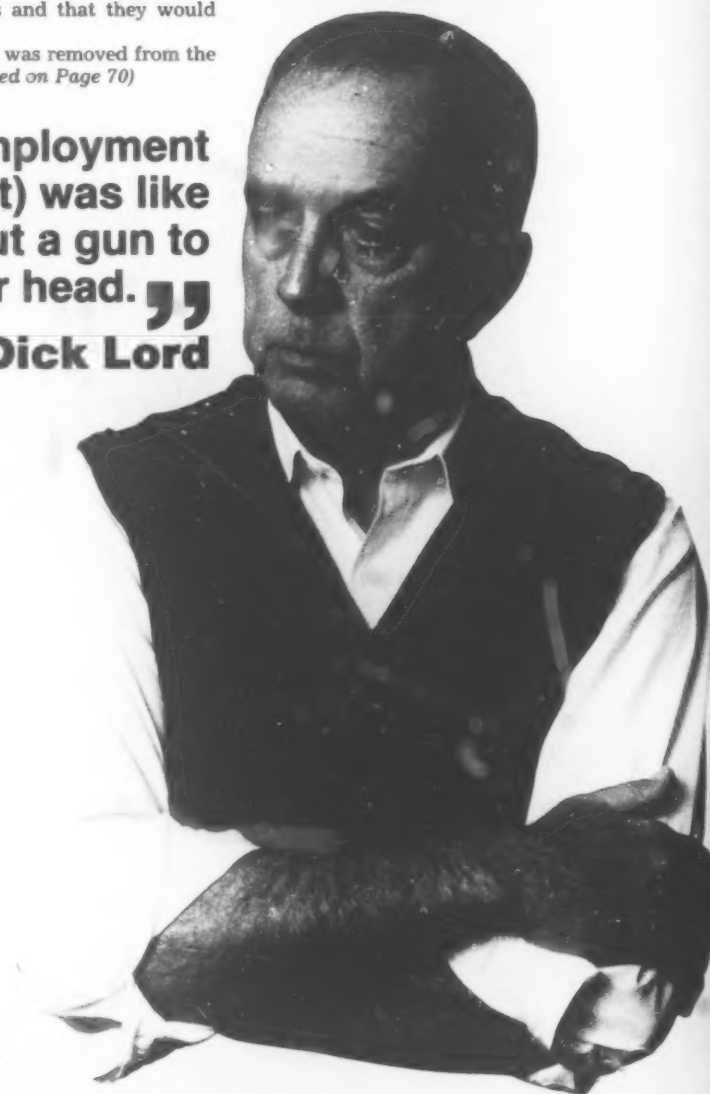
DDB Needham was removed from the
(Continued on Page 70)

“(The employment contract) was like he put a gun to our head.”

Dick Lord

“I hate failure and I don't want to fail now.”

Martin Sorrell



Last Minute News

Coleco consolidates account

WEST HARTFORD, CONN.—Coleco has consolidated its \$45 million account at Scott Lancaster Mills Atha, Los Angeles, dropping Bozell, Jacobs, Kenyon & Eckhardt, New York. BJK&E had handled about 60% of the business, including the Selchow & Righter division and Cabbage Patch Kids.

O&M takes Kelly honor

NEW YORK—Ogilvy & Mather last week won the Magazine Publishers of America's 1987 Stephen E. Kelly print advertising award. O&M
(Continued on Page 8)

Inside: Sorrell takes heat for LGFE problems. P. 2
What WPP says, and Y&R's answer. P. 72-73
More on breakaway: P. 2, 69, 70, 72, 73, 74

AGENCY BREAKAWAY

Admen blame Sorrell's style

By SCOTT HUME
and JON LAFAYETTE

Chief executives at major agencies nationwide say they've seen nothing like it before.

By that they mean not only the continuing drama that has followed WPP Group's unfriendly takeover of JWT Group, which escalated into the recent defections from Lord, Geller, Federico, Einstein, but also the apparent lack of management skills exhibited by WPP Group Chief Executive Martin Sorrell in dealing with the acquired people and businesses.

An ADVERTISING AGE spot check of agency executives shows that, from their experiences in acquiring ad

agencies, they believe Mr. Sorrell has gone about the task all wrong and that he has consistently shot himself in both feet.

The sensitivity to the nature of the people who build ad agencies appears to have been missing. The vital communication between parties seems to have broken down, if it ever was established from the start.

For those and other reasons, these executives evidenced little fear that their own organizations might now be prey to similar mass defections from subsidiary agencies.

"I think people who are experienced in acquisitions understand that you can buy a business, but you can't buy employees' loyalty," said Abbott Jones, president of

Foot, Cone & Belding Communications, Chicago.

Gaining that loyalty from the principals and employees of acquired companies, and "doing so on

"You can't buy employees' loyalty."

a person-to-person basis," has to follow an acquisition, he said.

That doesn't appear to have happened with Mr. Sorrell and the top executives at LGFE.

"We've been through enough [agency acquisitions] to know when they're right and when they're not,"

Mr. Jones said. "The Saatchis have done some good and successful deals with a willingness to talk through potential problems. The key, and I think WCRS has shown in its acquisitions that it understands it, is to understand what a strong desire for autonomy agency people have."

"If you take managers for granted, you're going to be disappointed, and you're going to end up paying again sooner or later."

Like other top agency executives, Phil Geier, chairman-CEO of Interpublic Group of Cos., New York, said he isn't worried that the seeds of revolt similar to the Lord Geller example exist in the Interpublic empire.

"We believe we have incentives in

place, a way for my people to make reasonably good money if they perform," Mr. Geier said.

Despite his recent admission that conflicts with BBDO Worldwide and DDB Needham Worldwide may have stifled the growth of some of the smaller agencies within Omnicom Group (AA, March 21), President-CEO Allen Rosenshine said "the problem Martin Sorrell is having with Lord Geller is the kind of problem I hope I do not have," and he sees no likelihood of it becoming his problem.

"I'm personally not alarmed. We maintain open and frank discussions when Omnicom companies have problems of this nature," Mr.

(Continued on Page 73)

Highlights

NEWS

- 4 Sears name takes back seat**
To woo more upscale customers, Sears, Roebuck & Co. may drop its name from several new ventures.
- 6 Dems challenge FTC**
Democrats are preparing to battle over the Reagan administration's record in advertising regulation.
- 12 Just what the doctor ordered**
Food marketers are finding that the way to a consumer's heart may be through a doctor's recommendation.
- 24 New industry hot spot**
Research departments are coming of age with expanded, more creative roles in agencies.
- 28 Popeyes pecking away**
Popeyes Famous Fried Chicken hopes to ruffle the feathers of its nearest competitor.
- 30 Now that's Italian**
Sanwa Foods is turning Italian with a line of Prestissimo instant meals.
- 48 Retailers boost Philly**
Top-notch retailers are strengthening Philadelphia's reputation as an attractive retailing center.
- 59 K mart, Wendy's drop test**
While Sears and McDonald's hook up, K mart is quietly bowing out of joint eatery with Wendy's.
- 67 Dole ahead of the PACs**
Sen. Robert Dole is leading his rivals with major consumer-goods marketers.
- 68 Della Femina snares Belding prize**
Della Femina, Travisano & Partners outruns Chiat/Day for the Belding Awards grand prize.

INTERNATIONAL

- 33 Foreign spending zooms**
Despite reverberations from last fall's global stock market dive, foreign ad spending growth will continue to outpace U.S. growth in 1988, according to industry analysts and ad executives.



PERSPECTIVAS: Coors breaks new campaign. P. 52.



SPECIAL REPORT: Toiletries and beauty aids marketing starts after P. 40.

Departments

Beyond Advertising	46
Brady	42
Brady's Bunch	68
Calendar	62
Classifieds	63
Editorials	16
For the Record	69
Forum	18
Garfield	44
Global Gallery	36
Letters	20
MediaWorks	56
Newhoff	46
Observing	46
People	61
PeopleWorks	60
Photo Review	54
Slices	44
The Next Trend	42
Words	44

Lessons from Duane Jones

By FRED DANZIG

"We've got an office, a telephone and no clients."

A variation on this theme, usually composed by attorneys to protect clients from litigation after they've opened a breakaway agency, turned up the other day when Dick Lord, Arthur Einstein, Kevin O'Neill and other associates left Lord, Geller, Federico, Einstein to start a new

Yankelovich battle rages—P. 69

agency, Lord, Einstein, O'Neill & Partners.

The phrase became part of "Agency Speak" in 1952, after Duane Jones won his "account piracy" case against former executives. Until then, agency spinoffs were part of the landscape. Back in 1940, Ted Bates could leave Benton & Bowles with two B&B accounts, Colgate-Palmolive Co. and Continental Baking Co., and suffer no legal reper-

ussions.

But agency owner Duane Jones behaved differently. An alcoholic, he might have been considered easy pickings. Yet when a cadre of his executives left Duane Jones Co. with his accounts and opened a new agency—Scheideler, Beck & Werner—he fought back, saying, "You can't take a drunk out, get him inebriated and then pick his pocket."

He filed a conspiracy-to-ruin suit against his former employees and, in so doing, changed the way breakaways were choreographed. The case didn't stop them, just changed the rules.

Following a jury trial, Mr. Jones won. Although he sued for \$4.5 million and was awarded \$300,000, he felt vindicated.

His landmark case taught people that they had to be extremely careful about how they planned their breakaways. No paper trail. Never talk about it in the office during working hours. Don't use the com-

(Continued on Page 73)

Important impact expected

Top law firms join struggle

By IRA TEINOWITZ

WPP Group's legal wrangling with the Lord, Geller, Federico, Einstein defectors will pit one of the nation's toughest takeover law firms against one of New York's leading advertising law firms.

At the center are two key issues: the status of employment restrictions and whether the six executives who left breached their responsibilities and hindered Lord Geller before leaving.

Lawyers familiar with the issues say it will have important ramifications. A 1953 decision by a New York state appellate court against nine agency officials who left the old Duane Jones Co. agency is still cited even in non-advertising cases when management people leave a company.

"It is going to be fun to watch,"

said Steven Brill, editor of *American Lawyer* and *Manhattan Lawyer*.

Lord Geller and the Owl Group (the corporation WPP set up in the U.S. last year to acquire JWT Group) are being represented by

Excerpts of WPP lawsuit and reprint of alleged memo—P. 72

Davis & Gilbert. The small firm often represents ad agencies, but more often on contract and copyright issues, according to some lawyers familiar with the firm.

Representing breakaway agency Lord, Einstein, O'Neill & Partners is Skadden, Arps, Slate, Meagher & Flom, New York's largest law firm and one widely known for its work

(Continued on Page 69)

Olympics win in ad recall

Political advertising also draws attention

By SCOTT HUME

Apple, Coors, E&J Gallo, K mart and Toyota had something in common last month.

They were among the many advertisers whose messages got lower unaided recall than did political advertising, which ranked 10th in last month's adWatch survey of advertising awareness.

Not surprisingly, political advertising got its best recall in south central states, which were deluged with images of smiling politicians before the Super Tuesday primaries March 8.

It's also not surprising that some of the other best-recalled advertisers in February were among the sponsors of ABC-TV's coverage of the Winter Olympics.

Coca-Cola Co., the sole soft-drink sponsor during the broadcasts, was last month's best-recalled advertiser. Olympics-themed advertising from McCann-Erickson and Lin-tas:New York put the company on top of the pile for the first time since June.

Also during the Games, DDB Needham Worldwide, Chicago, had people wondering, "How'd they do that?" when it put Spuds MacKenzie on skis in one of its Olympics spots for Bud Light.

Anheuser-Busch's Budweiser/Bud

Light tandem kept its No. 4 spot among the best-recalled ads.

Miller Brewing Co., the official sponsor not of the Games but of the U.S. Olympic Training Center, saw its unaided recall drop a bit, falling from seventh in January to ninth in February.

While Olympics sponsors Ford Motor Co. and Chrysler Corp.—which together spent about \$50 million during the Games (AA, Jan. 18)—both made last month's top 10, non-sponsor Chevrolet's "Heartbeat of America" campaign still placed ahead of both.

And Pepsi-Cola Co. didn't advertise on the Olympics but still managed to climb a notch to No. 5.

The California Raisin Advisory Board's dancing raisins held onto the No. 2 spot in unaided recall without the expense of Olympic sponsorship.

McDonald's Corp. was an Olympic sponsor, yet it suffered the largest decline among advertisers represented in the top 10 in January and February, dropping from No. 1 to No. 6.

Was it the result of "ambush marketing" by Wendy's International, which was a broadcast sponsor but not an official sponsor of the Games?

Wendy's didn't crack the top 10 in recall, but it came close, tying for

AdWatch survey of advertising awareness Top 10 in February

One thousand people were asked: Of all the advertising you have seen, heard or read in the past 30 days, which advertisement first comes to mind? Source: SRI Research Center, Lincoln, Neb.

Rank	1/88	Advertiser	Agency
1	7*	Coca-Cola	McCann-Erickson
2	2	California raisins	Foots, Cone & Belding
3	5*	Chevrolet	Lintas:Campbell-Ewald
4	4	Budweiser/Bud Light	D'Arcy Masius Benton & Bowles/DDB Needham
5	5*	Pepsi-Cola	BBD Worldwide
6	1	McDonald's	Leo Burnett USA
7	10	Chrysler	Bozell, Jacobs, Kenyon & Eckhardt
8	3	Ford	J. Walter Thompson USA
9	7*	Miller/Miller Lite	J. Walter Thompson USA/Backer Spielvogel Bates
10	—	Political ads	Various

* Indicates a tie

12th.

Recall of Wendy's advertising also perked up a bit when respondents were asked to recall the first fast-food advertising that came to mind. McDonald's, of course, was No. 1 with 43.5% of first mentions (vs. 44.3% in January); Burger King Corp. got 13.3% (vs. 12.8%); and Wendy's was third with 9% (up from 6.3% the previous month).

In the wine category, responses showed there's life left in Gallo's Frank Bartles and Ed Jaymes—and

Hal Riney & Partners' creative. The addition of new flavors and advertising nearly doubled Bartles & Jaymes Premium Wine Cooler's share of first mentions in the category. The two went came to mind first for 10.5% of the sample, vs. 5.4% in January.

That was almost good enough to surpass E&J Gallo Winery's wines, which placed No. 1 with 11.1% of first mentions. Banfi Vintners' Riunite was third with 5.8%.

AdWatch is a joint project of AD-

VERTISING AGE and SRI Research Center, Lincoln, Neb. Advertising awareness is measured by asking a nationally projectable sample to name the first advertising that comes to mind from all seen, heard or read in the previous 30 days.

In February, 1,000 adults were polled by telephone. #

For more information or data, contact SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

New ventures could use other names

Sears may go incognito

By KATE FITZGERALD

As part of its continuing effort to woo more upscale customers, Sears, Roebuck & Co. may drop its name from several new ventures.

Sears is considering downplaying or omitting its name in some soft-goods areas, say sources close to the company, and may do the same thing in developing stand-alone stores that sell specialty apparel or other merchandise.

While the Sears name remains a strong force in selling hard goods, the company has learned its name is a turn-off on apparel catalogs aimed at higher-income customers. As a result, these sources say, Sears is looking at going incognito in some new catalogs.

Sears would be following a trend other retailers have pursued successfully. So far, Sears has been slow to adopt this strategy. It has already launched two new catalogs targeting specific audiences; both include the Sears name. "Changes" is a sportswear catalog for women, and "American Tradition" is aimed at young men.

A Sears spokesman declined to elaborate on plans for targeted catalogs or to say whether the Sears name will be included on them.

But more breaks with tradition lurk ahead, observers say, as Sears follows through with its vow to overhaul its underperforming merchandise group (AA, March 14).

Last week, Sears finalized its merger with Western

Auto Supply Co. to beef up its earnings in one of its healthiest hard-goods categories—auto service centers.

With the combination of Sears' 800 automotive centers, Western Auto's 278 company-owned parts stores and its 1,570 franchised outlets, Sears ranks second in the rapidly consolidating auto parts industry, said John Wirebach, news editor at Automotive Marketing.

Western Auto will continue to operate under its own name, as have two other Sears acquisitions: Pinstripes Petites and Eye Care Centers of America.

Sears' new merchandising strategy will be implemented by Matthew Howard, 47, who was named exec VP-merchandising, succeeding Joseph H. Batogowski, 48, who abruptly resigned March 18. He had been VP-home appliances and home entertainment.

Sears also appointed Jane Johnson Thompson, formerly a partner with McKinsey & Co., Chicago, VP-strategic planning in the specialty merchandising division, a newly created post.

Sears spokesmen said the company's joint marketing plans with Walt Disney Co. and McDonald's Corp. will continue as scheduled; Mr. Batogowski is credited with bringing about those deals.

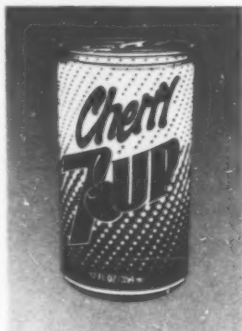
However, some of the developments Mr. Batogowski earlier had discussed, including a Disney merchandise catalog and Disney boutiques within Sears stores, have been shelved for now, said Jim Podany, director of marketing communications. #

WHO PUT A CHERRY IN 7 UP?

The same techniques that helped develop new Cherry 7 UP created the Magic Mushroom for Airwick, Bacardi's Frozen Mixers, Glass Works for S.O.S., Sun-kist Vitamin C Tablets, put Baking Soda in more than 30 million refrigerators...can spell success for you.

Why is 70% of all our business repeat business?

- Our success rate;
- We're sensitive to your needs.



CHERRY 7 UP: The first soft drink of its kind...lets the real cherry come through.

We offer three different new product or re-staging programs. One is ideal for your needs.

To find out more, call or write Sonia Kallen (914) 631-8800. 55 South Broadway, Tarrytown, NY 10591.

Schoenfeld, Chapman & Pearl Inc.
New Products/Brand Leveraging Consultants

FREE CATALOG & SAMPLE KIT

all or write for the book **6 Strategies for Increasing Sales** and Sample Slide-Charts for your industry.
No Cost or Obligation!

Name _____ Title _____
Company _____ Phone _____
Address _____
City _____ State _____ Zip _____

312/685-3333
800/323-4433
(outside IL)

AMERICAN Slide-Chart

P.O. Box 111
Wheaton, IL 60189

Advertising Age

U.S. ADVERTISING AGENCY PROFILES

1988 Edition

Keep your eyes open for Ad Age's Agency Income Report March 30.

Strong spending

Foreign ad budgets again beat U.S.

An Advertising Age roundup

Despite reverberations from last fall's global stock market dive, foreign ad spending growth will continue to outpace U.S. growth in 1988, say industry analysts and ad executives.

The plunge seems to have left ad budgets in Canada and Western Europe unscathed, though spending in Australia is stagnating. High inflation and domestic problems in Israel, Latin America and South Africa will prevent 1988 from being a banner year, according to ADVERTISING AGE's latest twice-yearly survey.

"I don't think Europe or Asia was as devastated by the stock market plunge as we were," said John Eger, president, Worldwide Media Group, a New York-based consultancy.

Because the crash created "psychological uncertainty," U.S. ad budgets will be sluggish, said Robert Coen, senior VP-director of forecasting, McCann-Erickson. Domestically, positive factors will be the upcoming elections and the Olympics, he said.

In 1988, Mr. Coen expects foreign spending to hit \$103.7 billion, a 12% increase over 1987. Domestically, he predicts a 9% increase to \$119.7 billion. Ad spending worldwide will be at \$223.4 billion, a 10% increase, he said.

However, Mr. Coen bases his figures in dollars and includes inflation, while AA's survey is based in local currency and filters out inflation; therefore, percentage increases or decreases rather than revenue figures are used.

"Internationally, we're looking at a very good year," said Murray Smith, president-international, Bozell, Jacobs, Kenyon & Eckhardt. "I don't see any signs of slippage anywhere except maybe in Mexico."

Western Europe

Most executives cite the growing privatization of TV as a major factor in Western European growth.

"There will be increased experimentation with private TV channels, and nations are opening up state-run channels," Mr. Eger said.

Mr. Smith agreed: "Markets where we'll see tremendous growth are Italy because of commercial TV and Spain and Portugal due to privatization."

Ad spending in Italy jumped 17% last year, and advertisers project a similar increase for 1988. Ugo Castellano, chairman,

Young & Rubicam Italia, Milan, attributes last year's increase to continued developments in commercial TV and the comeback of the press with the launch of more than 70 magazines in the past two years.

In reaction to the recent stock market crisis, ad industry sources in Italy predict a 40%-to-50% increase in financial advertising for 1988. "The financial sector must counteract the effects of the negative trend, reassure the investor turned cautious," Mr. Castellano said.

Last year will go down as a record year in the history of Spanish advertising, which saw spectacular growth of 24.9%, though slightly less than the 32% increase predicted. Antonio Jordan, president of the Spanish Association Advertising Agencies, Madrid, expects a 15%-to-20% increase in ad spending this year, while Tiempo/BBDO CEO Xavier Oliver predicts a more conservative 12% growth rate.

Banks and insurance companies were very active in Spain last year, advertising many new financial products even after "Black Monday," Oct. 19.

Advertising investment in France last year showed a 10% real increase. Forecasters expect another 10% increase in 1988. With elections coming in April, candidates are expected to spend as much as \$85 million.

While expenditures are expected to rise in the U.K. this year, agencies and advertisers expect a slower rate of growth than in 1987. Forecasters say total ad spending will rise 5%, compared with an 8% increase in 1987.

"We are entering a period of steady decline, with the 1989 rise in spending likely to be even lower than this year's," said Mike Waterson, research director of the Advertising Association, London.

In West Germany, ad agencies look back at a relatively good year. Volker Nickel, ZAW-German Advertising Association, Bonn, said the 1987 increase is believed to be 3.5% in real terms, while the increase for this year is projected to be 3%.

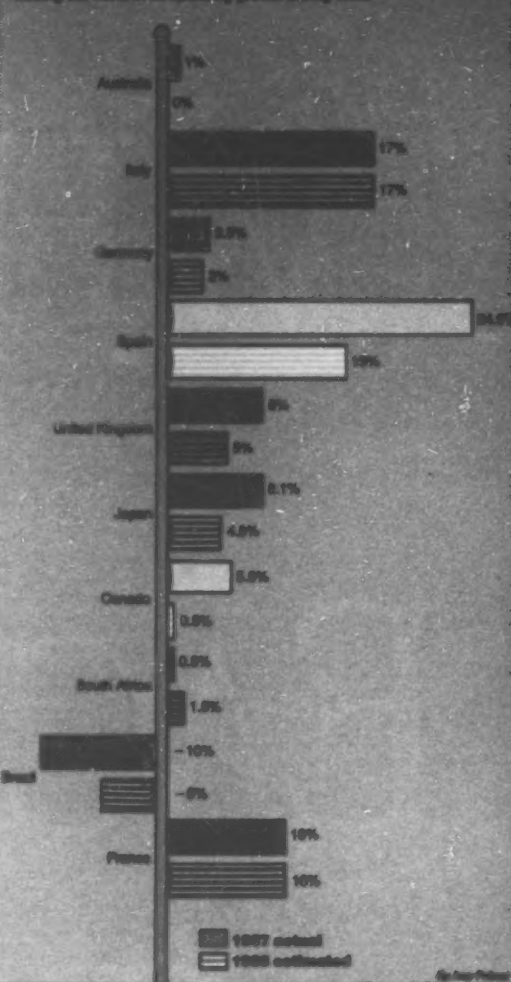
Latin and South America

A question mark hangs over the market in Mexico this year as the government struggles to rein in inflation, which hit 159% last year and could rage at 150% this year. With wage and price controls in place, most advertising executives see a decline in real terms although no one is willing to put a number.

(Continued on Page 57)

Worldwide ad spending growth

McCombs Adams survey of 44 markets worldwide finds Italy and Spain leading the world in ad spending growth during 1988.



Bic fires up pocket perfume market

By ANIKA MICHALOWSKI

PARIS—Bic Corp. is entering a whole new field by adding perfume to its line of convenient pocket items.

The company that sells disposable cigarette lighters, pens and razors is launching Parfum Bic No. 1, a low-price fragrance packaged like a cigarette lighter, in Europe and possibly the U.S.

Bic is entering the mass perfume market because "it's a completely virgin sector and has not been pre-empted by any major companies," a spokeswoman said. She noted that Bic can

offer "top quality at competitive prices."

The company believes the portable perfume can take advantage of Bic's expertise in portability and disposability of products available at mass-market outlets.

Advertising for the perfume will break in France and Italy next month. The product will be introduced in other European markets and the U.S. if the first two launches succeed, Bic executives said.

Parfum Bic No. 1 is not only a first for Bic but for France. It's also the country's first perfume for the mass market, which is dominated by

eau de toilette brands such as L'Oreal's Eau Jeune and Unilever subsidiary Française Soins et Parfums' Darling. It's not known whether either of these major marketers will jump into this new segment.

Priced at \$3.50 for 7.5 milliliters, Bic perfume is aimed at young, active people who will find it easy to buy and conveniently small to carry. Taking advantage of Bic's well-developed distribution system, the perfume will be sold in convenience stores, drugstores and supermarkets.

The perfume comes in four fragrances: Parfum Bic Jour No. 1, a

fruity and flowery fragrance, and Parfum Bic Nuit No. 1, a stronger, more Oriental scent, both for women; Parfum Bic Homme No. 1, made of wood essences, musk and fern, for men; and Parfum Bic Sport No. 1 for both men and women in a sporty, woody fragrance.

Bic wouldn't disclose spending levels, but its commitment to the category is indicated by the investment Bic has made in purchasing factories in France to make the perfume and the dispensers. Bic also went to Firmenich, the fragrance supplier, to create the perfume.

Young & Rubicam here created an animated TV spot emphasizing

low price. The spot will break on all six French channels April 1. Bic will tailor marketing to each country.

Jean-Claude Passerin D'Entreves, chairman-CEO of Bic Italy, Milan, said, "In our campaign here we insist on the convenience and the practicability of the Parfum Bic. We don't mention the price too much as the French campaign does."

The new product sells at about 10% the price of other perfumes.

The \$2.4 million Italian campaign, via MVC, breaks April 17. The Italian Parfum Bic No. 1 will be aimed at a broader age span than the 13- to 20-year-old consumer targeted in France. #

World News Roundup

(Continued from Page 3)

photography into its major Australian and U.K. newspapers after the purchase last month of a \$580 million 39 Newsman offset printing press.

MADRID—The Spanish Ministry of Agriculture awarded its \$3.1 million campaign to promote Spanish-made food products to Contrapunto for the third consecutive year.

GOUDA, NETHERLANDS—Austin Rover moved its \$3 million car account to Dorland Advertising, Amsterdam, from Ara/BBDO, Rotterdam, as part of its European agency realignment.

MONTREAL—Hitachi Canada moved its \$1.6 million account to Prism Communications from Backer Spielvogel Bates.

LONDON—Wella Great Britain introduced Shock Waves Headstrong shampoo, formulated to work on hard-to-remove hair styling gels, with a \$1.3 million campaign by Butterfield Day Devito Hockney.

SINGAPORE—The Far Eastern Economic Review received government permission to distribute 1,000 advertising-free copies here. The government cut the weekly's distribution to 500 from nearly 10,000 for what it termed meddling in internal affairs (AA, Feb. 15).

Bozell rises in East

By MAGGIE FOX

HONG KONG—In half a year, Brian Tucker and Michael Holt have doubled Bozell, Jacobs, Kenyon & Eckhardt's staff to 45 and doubled its business to \$15 million here.

The two former Foote, Cone & Belding executives—Mr. Tucker was managing director and Mr. Holt was creative director of that agency's office—left to take equity in BJK&E. Competitors predicted staffers and accounts would follow, and they were right.

Now holding the same titles at BJK&E, Messrs. Tucker and Holt, who replaced Joe Wang and Richard Lamb, deny they have raided FCB. The duo and their former employer are careful to speak kindly of each other.

But since their move in August, BJK&E has picked up Hong Kong Electric, Overseas Trust Bank and Sunkist, worth a combined \$6 million in billings, from FCB.

Further, the two hired FCB Vice Chairman Karen Loh for the same position at BJK&E, a new post. BJK&E Executive Creative Director Paul Wong and Director of Account Services Gary Tse had been FCB's creative

director and senior account director, respectively.

Other agencies have suffered at the hands of the new agency team, too. The \$1.5 million Toyota account, as well as the Far Eastern Economic Review and KPS video accounts, moved to BJK&E from Leo Burnett Ltd. and Texas Instruments from McCann-Erickson. Amway, Crown Motors, Eastern Zone Industrial Co., New World International Hotels and two local realty companies also have moved over from various shops.

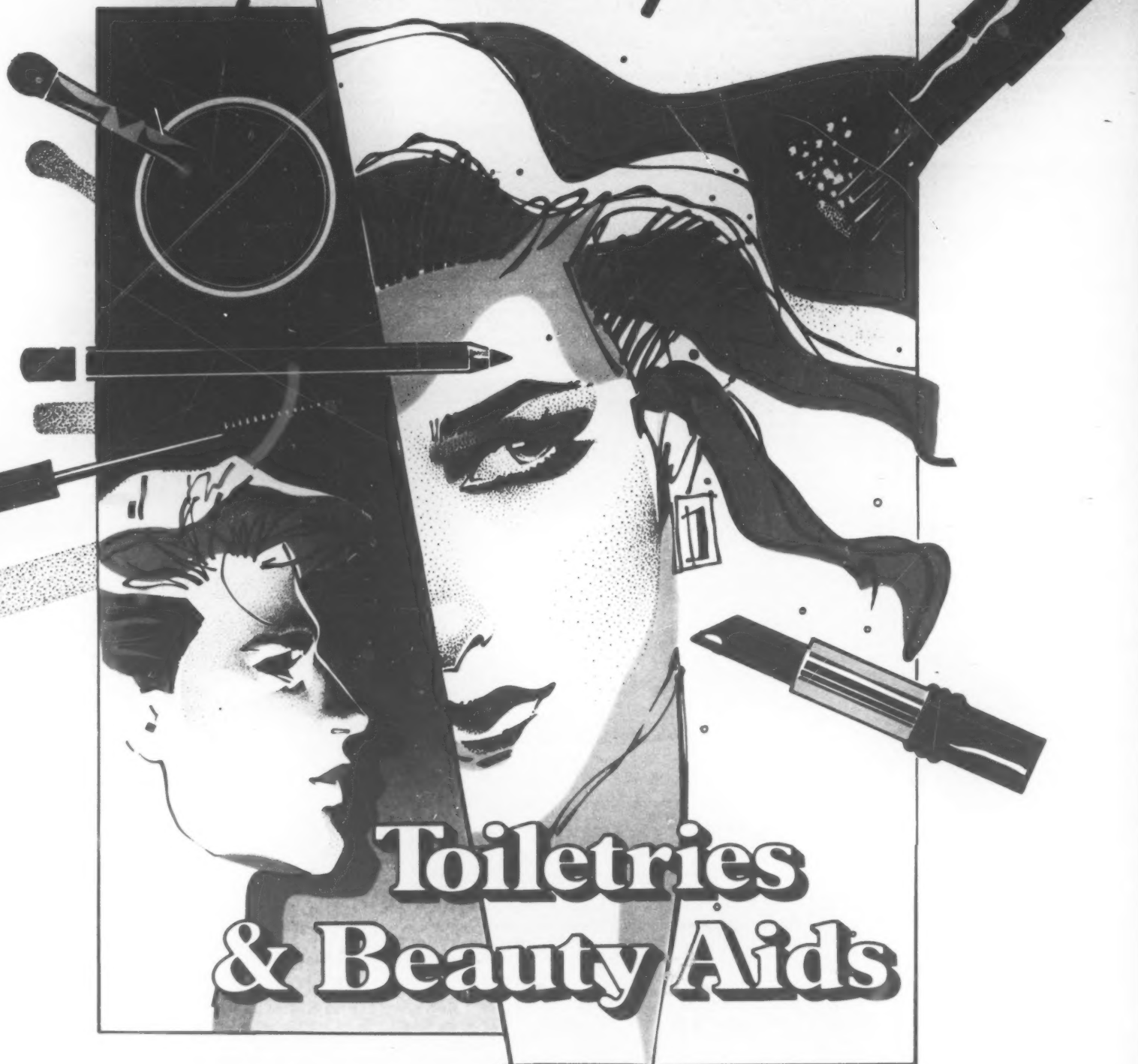
The new accounts should move BJK&E from No. 15 to about No. 9. Only three accounts, worth \$640,000, have left during the same time, Mr. Tucker said.

"We were able to respond to a lot of advertisers who wanted to review their agencies," Mr. Tucker said. "[We] did things backwards and hired a lot of staff upfront."

What attracted the talent, Messrs. Tucker and Holt said, was money and their management style.

"We are a perfect fit," Mr. Holt said. There's what the two call a "seamlessness" at the agency, where all staffers work together on projects. When agencies become departmentalized, staff members lose touch, they said. #

Special Report



Toiletries & Beauty Aids

Fighting for survival in scents game

By Donna R. Italiano

Speaking at a recent Fashion Group meeting in New York, Leonard Lauder, president and ceo of Estee Lauder Inc., recalled the days when the \$17 billion cosmetics business was a cottage industry. He told the attendant fashion and beauty industry executives, "We used to meet in the Oak Room at the Plaza for our weekly luncheon and discuss restraint of trade, price, fixturing . . . The FDA was something one thought about in their alphabet soup. It was a very simple industry."

Not anymore. Mergers and acquisitions continue, and successful product launches are no

Donna R. Italiano is a New York-based freelance writer and marketing consultant to the beauty industry.

longer made of pie-in-the sky dreams. Mr. Lauder said slow population growth was a factor in the industry's stagnant unit growth. "That means if I want to increase my business, the only way I can do it is for me to take

it away from you . . . this leads to the great new pie-cutting contest . . ."

Yet, purveyors of hope in a jar continue to introduce more new products.

Consider the fragrance category: Last Christmas it enjoyed double-digit sales increases. Heavy fourth quarter spending by the big guns in fragrance marketing, coupled with aggressive in-store activity, helped retailers realize these gains.

Then there's the rest of the year: The fragrance industry is plagued by shrinking margins, sluggish growth and costly battles for market share.

Industry statistics bear this out. According to figures released by Kline & Co., a Fairfield, N.J.-based research company, estimated annual unit growth of total U.S. women's fragrance sales rose slightly more than 1% last

(Continued on Page S-2)

Top fragrance brands in 1987

(U.S. wholesale figures, \$ million)

Giorgio (women)	\$55
Obsession	40
White Linen	40-42
Opium	38
Oscar de la Renta	34
Youth Dew	34
Passion	30

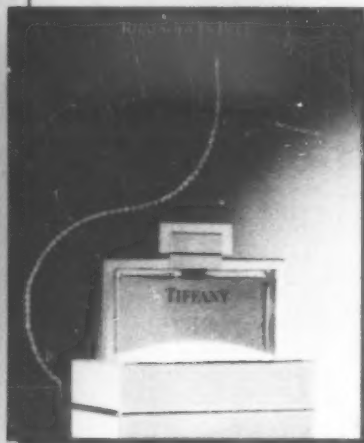
Source: Prudential-Bache Securities

Survival in scents game

(Continued from Page S-1)

year. At best, the category had an estimated 4% to 5% dollar increase in 1987, reaching \$2 billion in manufacturer dollars, according to Natalie Salek, a senior consultant at Kline.

Retail figures for 1986 fragrance sales published in *Beauty Age* magazine's Summer '87 Consumer Expenditure



Tiffany's elegance and simplicity are evident, as is the omnipresent Blue Box used in the company's other advertising.

study don't paint a much brighter picture. According to the study, women's fragrance sales reached \$3 billion, a mere 0.7% increase from the previous year. Factor in inflation and it was a no-growth year.

According to Annette Green, executive director of the New York-based Fragrance Foundation, at least 20 new scents are expected this year to join the nearly 425 fragrances now in U.S. distribution.

Statistics released by Marketing Intelligence Service, a new-product tracking company in Naples, N.Y., show that 90 new fragrances, including line extensions available through all trade classes, were introduced in 1987, a 20% increase from 1986.

As for 1988, Arie Kopelman, vice chairman and chief operating officer of New York-based Chanel, says, "Competition will intensify. New brands are coming into the market and it is becoming a giant share game." To compete "you have to win early and keep the momentum going," says Mr. Kopelman, whose company is enjoying a resurgence in sales of classic favorites and Coco, which bowed in 1985.

Robin Burns, president of Calvin Klein Cosmetics, marketer of the successful Obsession fragrance, is frank about the odds of survival: "The industry continues to launch new fragrances and approximately 80% of them fail."

Heavy ad spending by major players like Estee Lauder, Coty, Revlon, Avon, Calvin Klein, Elizabeth Arden and others, has set a precedent hard to break for those wanting to launch a scent. (The first four control 65% of department-store beauty business.)

"It has become the era of the super launch," says Mr. Lauder. "We all heard that Calvin Klein spent \$17 million launching Obsession. We have seen Giorgio Armani do \$100 million [in sales] in two to three years... There is no time anymore to see if something is going to get consumer acceptance and then build it up and fine-tune it. You either make it or you don't."

"The stakes are high and will remain high," agrees Ray Baliatico, president of Prince Matchabelli, a division of Greenwich, Conn.-based Chesebrough-Pond's, which launched a \$10 million ad/promotion campaign for Elizabeth Taylor's Passion last year. "We will continue to spend to grow the brand," he says. Sales of the fragrance rocketed to \$35 million just three months following the launch.

Mr. Baliatico says Passion for Men will debut in spring 1989.

While some industry executives believe the industry will begin to see more balanced spending toward the end of 1988, others think the major players will go all out to match expenditures of previous years. In 1986 alone, \$116 million was spent to advertise women's fragrances, according to Leading National Advertisers, New York.

Calvin Klein Cosmetics has scheduled the launch of Eternity to ship to retailers this summer. Ms. Burns won't divulge figures, but

sources close to the industry expect spending on Eternity to be close to the \$17 million spent launching Obsession.

"The biggest division in the fragrance category is not the major marketers but the all-other fragrances," says Alexander Koswick, a senior industry consultant. Collectively, he says, this category of brands—smaller individually but a strong market presence as a group—"is proving to be a pretty powerful force in the business." Based on many of the launches slated for 1988—including Carolina Herrera's signature scent, Claude Montana, Gem, Baryshnikov—and last quarter 1987 entries including Animale, Ombre Bleue, Bijan and Samba—the newness in marketing approaches continues to come from this segment of the business.

Ms. Burns maintains that



Gem's print ad uses Lara Nazinski breaking into a museum case for the fragrance.



Perfumers Workshop extends the musical flavor of Samba print ads by also using radio spots.

five or six years ago the industry began to see more entrepreneurs re-entering the fragrance industry. "They broke the rules and they broke the jaded sameness," she says.

Some of these new players now entering the market have to map out a survival strategy. "Today, there's no question that stores are demanding more because of the grand spendarama of the big companies and, as a result, many of the smaller marketers cannot effectively compete," says Mr. Koswick.

"But big spending does not guarantee a success. The spendarama is going to get the fragrance marketer in the department store but not going to get him to move goods across the counter."

He strongly advises small companies to forgo the national route in favor of a regional approach. "It takes longer, it takes more patience. But it's the most

effective way to be heard through the advertising clutter and stretch your ad dollars."

Many more smaller fragrance companies are opting for a more limited rollout, coupling it with innovative ad campaigns and aggressive in-store activity.

For example, Van Cleef & Arpels' Gem debuted in New York's Bergdorf Goodman in early March. "A selective rollout to six or seven accounts to maximize the build is slated in 1989," says Barbara Gyde, senior VP-marketing of Sanofi Products, the U.S. distributor of Van Cleef & Arpels fragrances.

"Advertising will be equal to 25% of the first year's sales goal," she says. A print ad featuring European ingenue Lara Nazinski breaking into a museum case to seize a bottle of Gem ran in March issues of leading fashion publications and will be featured in future issues of *Connoisseur*, *Harper's Bazaar*, *House & Garden*, *Town & Country*, *Vogue* and city and regional publications including *New York* magazine. Nearly eight million samplers will be distributed during the launch and a direct-response program will complement advertising and sampling.

Donald Bachner, president of Perfumers Workshop, New York, is betting that "extra effective key elements" will make the difference for Samba, introduced in fourth quarter 1987.

Radio advertising, which Mr. Bachner feels the industry underuses, has played a role in Samba's introduction. For the initial rollout in 117 stores, including the Los Angeles, El Paso and New York markets, a catchy in-store video picturing exotic Brazilian samba dancers reinforced the radio message. Samba dancing troupes and sampling by fashion models complete the mood. Print ads will break in July, coinciding with the scent's expansion to 250 more stores this summer.

New York retailer Tiffany & Co. is banking on the return to traditional values, strong name recognition and resurgence in classical tastes to provide impetus for its new Tiffany scent.

Niche marketing is what Tiffany's launch is all about. The company expanded its distribution in eight Tiffany boutiques to six upscale retailers—Nordstrom's, Saks Fifth Avenue, I. Magnin, Neiman-Marcus, M.M.

(Continued on Page S-4)

Price no barrier in fighting age

Well-off older folks (WOOFs) are growing as a major segment of the U.S. population as the graying of America goes on. And those growing numbers are having some impact on the beauty industry: "We are seeing more attractive aging," says Leonard Lauder, president and ceo of Estee Lauder Inc., New York.

According to Natalie Salek, senior consultant at Fairfield, N.J.-based Kline & Co., treatment is one category that exhibits great growth potential in the next five years. "Moisturizers [including single items] showed the most dramatic growth in the \$2 billion-plus category."

Figures published in *Beauty Age* magazine's Summer 1987 Consumer Expenditure Study show skincare sales reached \$2.7 billion; the category showed no real growth overall, but the \$543 million face lotion/moisturizer segment shot up 5.6%. Ms. Salek predicts the industry can expect close to double-digit growth this year "despite FDA's scrutiny of anti-aging products."

Barbara Landry, an analyst at Morgan Stanley, New York, attributes the growth potential to increasingly better products backed by improved research and development. "The positive side to all this consolidation in the industry is that the big guys offer technological advancements made possible from someone gobbling someone else."

Closer scrutiny of treatment products by the Food & Drug Administration has prompted it to issue stern letters to marketers. Concern has escalated over the thin line that now separates medical from cosmetics claims. In defending their new entries, beauty marketers maintain they are closely adhering to product safety and efficacy standards with greater emphasis on scientific research and product development.

Industry executives would like to see the

FDA revise the current regulations. "They were written when the industry knew a lot less about products and ingredients," says James Preston, president and ceo, Beauty Group division of Avon Products, New York.

Last year marked the dramatic shift by many marketers from regimens-only to scientifically advanced single-items supported by heavy national advertising, in-store collateral and attractive packaging. Well-positioned products that can stand alone at retail are gaining favor. When Estee Lauder shipped Eyzone Repair Gel to retailers last year, buyers reported they couldn't keep the single stockkeeping unit in stock.

Christian Dior's Capture, launched last spring, carries a hefty price tag of \$65 for its Complexe Liposomes/Anti-Aging Complex. Despite the price, buyers report little resistance at retail.

As always, what is new and exciting in the industry is what the consumer demands. Revlon's Ultima II division began selling its Photaging Shield last December at Bloomingdale's and expanded to 2,000 doors earlier this year.

Tabor W. Butler, VP-marketing/Ultima II, says this product "deals with prevention whereas other treatment items are focusing on repair and correction." Revlon's new product "helps prevent the most deplorable signs of aging—deep wrinkles, leathery skin and age spots." Support for the new entry includes "compelling print advertising in women's service magazines," Mr. Butler says.

The next step in anti-aging products apparently are color cosmetics that promote the benefits of anti-aging. Whatever shape these products take, industry executives agree women will pay the price to retain their youth.

—Donna R. Italiano

Avon answers calling to higher scent lines

By Roberta Reynes

Avon Products crossed a marketing Rubicon last year, adventuring beyond staid Main Street USA and onto flashy Fifth Avenue.

Almost overnight, Avon became a major factor in the \$2 billion retail market for up-scale fragrances, industry sources say. Avon is best

Roberta Reynes is a New York-based freelance writer.

known for scents and cosmetics marketed door to door.

It signaled its expansion last spring with the retail launch of the Catherine Deneuve fragrance and the acquisition of Giorgio Inc. A few months later, it acquired Parfums

Stern, marketer of Perry Ellis for men and Oscar de la Renta, Ruffles and Valentino fragrances for women.

The logic of Avon's move to designer fragrances marketed through department stores isn't hard to follow. Fewer and fewer women are home to answer the Avon lady's ring, and working women have more disposable income than ever. As James Preston, president and ceo of Avon's Beauty Group, points out, "Where else can you find

(Continued on Page S-6)

Scents game

(Continued from Page S-2)

Cohn's and Swanson's—which will showcase the scent exclusively. The fragrance retails for \$200 an ounce.

Distribution of scented white bows, sampling, Tiffany's Rhapsody in Blue advertising bearing the company's distinctive blue box with big white ribbon, and exclusive society breakfasts will help Tiffany maintain its exclusive image, says Sue Phillips, VP-director of fragrance.

Can more selective, esoteric fragrances expect to stay in the running as the battle of fragrance market share rages? "Anybody competing with the big guys can expect to get trampled into the ground," says William Shnipper, president of Classic Fragrances, which markets Mila Schon and Jacques Couturier lines. "But if you set your own goals, you can expect to see steady growth each year," he says. "Specialty stores and perfumeries looking for more eclectic offerings opt for lesser-distributed brands." However, he says, marketers have to be prepared to work with these retailers.

"Many of these outlets are not fragrance outlets. They don't have time to create a business," Mr. Shnipper relies on an enormous amount of sampling and high value gift-with-purchase offerings to make the difference.

Dorothy Foster, senior buyer-cosmetics for J.C. Penney Co., New York, is pulling out all stops to reach "the whole cadre of customers who are buying fragrance as a fashion statement" with aggressive activity at point-of-sale.

She believes there is a whole other range of products on the market that may be ready to ignite this year. "There's a real market for environmental fragrances. Lines like Claire Burke and Ben Rickert, make a total statement and have a real message. Christmas Memories, Once Upon a Christmas, Peaches and Dreams, Summer Morning—many of these scents touch a chord in people. They evoke a warm, loving feeling," she says.

Ms. Green agrees. "People are going to stay home more. I think now environmental fragrances are really going to take off. It is happening."

No doubt, as the large fragrance companies grow via the merger and acquisition game in the beauty business, the small entrepreneurs who lost control back in the 1960s have the opportunity to make a showing again if their ideas are fresh, new and exciting and if they are willing to take risks. It is the medium-size companies that will feel the pinch as the industry goes through yet another set of growing pains.

Executives such as Ms. Foster are confident the industry will witness an increase in entrepreneurs with a point of difference. "In six months to a year down the road," she says, "we will see a rise in smaller entrepreneurs with a special niche or reason for being."

SHAPE MAGAZINE HAS SOME GREAT FIGURES

- Like the fact we're embarking upon our seventh year of publication. SHAPE's circulation has been increasing by at least 10% every year.
- That we're now at a 700,000 rate base—all fully paid and ABC audited. SHAPE's a newsstand magazine and doesn't believe in obtaining cut-rate subscribers.
- Our readers have the highest usage figures of shampoos, creme rinses, deodorants and activewear—than the readers of any woman's magazine. And with a median household income of over \$34,000, the SHAPE woman also has the money to buy quality—and quantities.
- Intense reader involvement. Our powerful scientific editorial environment has given SHAPE an outstanding 8 days of mean reading time per issue—triple that of any other woman's magazine.
- Pretty nice figures indeed—but you should see the figures we're helping our readers build.

SOURCE: 1987 SMRB

310 N. Michigan Ave., 21st Floor, Chicago, IL 60611
(312) 641-6661

118 Madison Avenue, New York, NY 10017
(212) 696-9272

400 S. Street, Woodland Hills, CA 91367
(818) 715-0630

Avon answers calling

(Continued from Page S-4)

pretax margins in the 13%-to-16% range and return on equity in the high 20s?"

But the challenges are formidable. First, Avon's new competitors are firmly entrenched. The Giorgio and Oscar de la Renta fragrances shared the top rankings list with Estee Lauder and Calvin Klein brands. In contrast to Avon, both are old hands at this fad-driven, trendy business.

Second, with the exception of an occasional hot number like Elizabeth Taylor's Passion, designer fragrances have had flat sales in recent years. Avon's brands are putting in a mixed showing, say analysts. Giorgio's rise was meteoric in the 1984-85 period. But sales have stalled now. Perry Ellis for men is doing very well, but Ellis for women is flat, analysts say.

Third, the style of promotion and advertising in upscale de-

signer brands is very different from Avon's usual efforts. Mystery and fantasy are at a high pitch, and so is the spending.

Not that Avon is starting over. It already spends about \$25 million a year to promote its traditional lines, up from a mere \$3 million to \$5 million early in the decade. And Deneuve, which was introduced through direct response marketing before going retail, won the Fragrance Foundation's "Most Successful Launch" award last year.

Still, the foray into "designer" advertising for Deneuve didn't get high marks from all. Lynne Hyman, a VP and analyst with Prudential-Bache Securities in New York, says, "The intent is apparently to show Catherine Deneuve as a human being rather than a sex goddess. But she did better as a sex goddess."

The ads in question show the regal French beauty with lipstick on the end of her nose and wearing a drawn-on mustache.

Finally, Avon faces the task of assimilating Giorgio and Stern without stifling the brands' flexibility and creativity. The acquisitions have combined yearly sales in the \$300 million range. In contrast, Avon had sales of \$2.88 billion in 1986.

"It's going to be a balancing act," observes Allan G. Mottus, a cosmetics consultant in New York who puts out a health and beauty aids newsletter, *The Informationist*. "Avon will be dealing with some of the biggest egos in the business. And these are two family-run companies without sophistication in financial matters or planning cycles. In contrast, Avon is run in the General Electric-style strategic planning mode. They say they don't want to 'Avon-ize' the acquisitions. But it's a challenge to leave them on the outside but still bring about changes."

Avon is undaunted. Mr. Preston says, "Sales, marketing and retail business know-how are centered in Michael Stern [chairman of Parfums Stern] and Michael Gould [president of Giorgio] and their organizations. We don't propose to tell them how to run their businesses."

What Avon will do is provide big-company support services. "A small company can't afford a research and development organization," Mr. Preston says. "In contrast, we have one of the finest R&D efforts, and an incredible track record in product development. Our R&D people can develop new products to the specifications of their marketing management."

"Similarly, we can make our market research capabilities available to Giorgio and Stern. Neither has internal market research."

"Thirdly," Mr. Preston continues, "we believe strongly in strategic planning: How are you going to allocate resources, and why? We can impart the strategic planning skill to them. But they will be the ones using it, not Avon."

Whatever Avon does, it can't stand still. "Giorgio is under-marketed," says Mr. Mottus. "It needs to be taken from a fragrance to a lifestyle brand." Andrew Shore, a Shearson Lehman Hutton analyst, agrees. "Giorgio has been losing counter space." He feels it is imperative that Avon create line extensions with the Giorgio name "as quickly as possible . . . either a cosmetic line or a sun-care line."

Although Avon has been reluctant to unveil its blueprints, a Giorgio of Beverly Hills sun-care line is due in April.

Despite the significance of Avon's marketing challenges, many feel it has gotten off on the right foot. Mr. Mottus says, "I'd rather have the two brands they bought than Arden's problems, or some of the other problems Revlon bought. There is much greater viability in the size and strength of these brands than in an Arden, Lagerfeld or Chloe."

We move more Americans to look good.

We reach a third of all women who use toiletries and cosmetics. And we run compatible editorial on how to look and become's very best. That's why the category invested \$7,055,288 to advertise to our readers last year. More people read us, believe us and act because of us.



We make a difference in 50 million lives.

By Ruth Stroud

Can a top casino-resort operator become a high roller in the fragrance business?

Caesars World is gambling that its new line of fragrances for men and women will join the ranks of high-priced leaders like Oscar, Obsession and Giorgio. Caesars Woman and Cae-

The Caesars link offers instant recognition, but "I don't think anyone wants to wear a hotel."

Consultant David Horner

sars Man were introduced last December at a celebrity party at the Los Angeles-based company's showy Roman-style Caesars Palace in Las Vegas.

The first casino hotel fragrance was developed under the auspices of the company's licensing subsidiary, Caesars World Merchandising.

Ruth Stroud is a correspondent in ADVERTISING AGE's Los Angeles bureau.

Caesars out to conquer the high-price category

The original intent was to sell the eight-item line, at least for the first nine months, through Caesars Exclusively, retail stores in Caesars World's seven resorts and through direct mail. But strong demand has accelerated the rollout.

Caesars World this month introduces the scents in all 43 of Carter Hawley Hale's Southern California-based Broadway stores and about 20 of Federated's Lazarus stores in the Midwest. Both chains will be exclusive carriers of the line within their trading area for about a year to 18 months.

Similar agreements with retailers in New York, New England, the Southeast and most other key markets around the country are planned, according to Philip Sobel, president of Caesars World Merchandising.

The company intends to introduce the Caesars line in most major markets in August or September. A total of 500 outlets are expected to carry the scent by yearend. Advertising is handled by Grey Advertising, Los Angeles, the agency for Caesars resorts.

The marketers and retailers behind the Caesars fragrance

■ The team behind Giorgio hopes to translate the glory of Rome into modern-day dollars

launch are already talking about pushing this still unknown scent into the top three or four in its category within two to three years. If they achieve this, it wouldn't be the first time for Jim Roth and David Horner, Caesars' chief consultants on the project.

The two engineered the development, promotion and marketing of Giorgio, Beverly Hills, although most of the credit for the \$150-an-ounce fragrance's success (it rang up sales of more than \$100 million and became the No. 1 scent in its channel of distribution within four years) went to Fred and Gale Hayman, founders of the Giorgio boutique in Beverly Hills and majority owners of Giorgio Inc., which has been sold to Avon Products.

Messrs. Roth and Horner, principals of Beverly Hills consultancy Roth/Horner & Associates, have as their exclusive project the Caesars fragrance launch. They say Caesars' marketing strategy is different in many ways from Giorgio's, particularly in its ambitious goals for expansion.

"We're going to go broader much quicker with this," says Mr. Roth.

Giorgio sold \$1 million in fewer than 20 stores during its first year and even when sales surpassed \$100 million, was available in about 300 outlets. Caesars, on the other hand, may be sold in as many as 1,000 department stores and specialty retailers within three years, Mr. Horner says. International distribution also will begin much sooner for Caesars than it did for Giorgio.

The Caesars fragrance packaging, scent and especially image also are different from Giorgio. The association with Caesars World will give the line instant name recognition, but the aim isn't to sell a fragrance of chance or "lady luck."

"I don't think anyone wants to wear a hotel," Mr. Horner observes wryly.

The goal, says Mr. Sobel, is to market the "opulence,

beauty and extravagant sensuousness" of ancient Rome, not Caesars Palace, Las Vegas.

The connection with Caesars properties is a positive, Mr. Sobel says. One of the greatest battles in the fragrance business is establishing identity. Caesars is already known worldwide, not only for its hotels and casinos, but for broadcasts of sports events.

CAESARS WOMAN



CAESARS MAN

Even the tagline in initial point-of-purchase advertising and direct mail pieces is the same used for the resorts: "Relive the legend." Additional slogans, "Abandon the ordinary" for the woman's fragrance and "To wear it is to conquer" for the men's, headline pictures of toga-clad or half-nude young male and female models.

Co-op print ads will break in local papers in the next few months introducing the fragrance in Southern California and in certain Indiana, Kentucky, Ohio and West Virginia markets. A promotional blitz is scheduled in May to tout Cae-

sars as the official fragrance of the Kentucky Derby. Spot TV and national print breaks this fall in major markets.

Despite the extensive ad plans, Caesars plans to be "downright stingy" when it comes to big media expenditures, Mr. Horner says. The company doesn't need to spend \$10 million to \$12 million in national media to achieve its goals, he believes.

"We did not one second of TV advertising and virtually no co-op advertising [for Giorgio] and we had the largest selling fragrance [in its segment] in the U.S.," boasts Mr. Roth. This success was achieved through what may have been the fragrance industry's most extensive sampling program. "We put 100 million pieces of scented material into magazines, department stores catalogs and other vehicles," Mr. Roth explains. The effort cost about \$4 million, with another \$1.3 million spent on media.

In-store promotion and sampling will continue to be a major part of the program for the Caesars line as well. With lower media expenditures, the intention is to be profitable from the first year, a feat which few fragrances have achieved.

Elaborate in-store promotions, complete with chariots, Roman warriors and Caesar/Cleopatra look-alikes, will herald the store launch of the fragrance. The idea is to "go one-on-one" with the consumer rather than aiming for everyone, Mr. Roth says.

Caesars' plan to conquer American cosmetic counters is credible, say industry watchers.

"In this day and age, it's possible to become a top-selling fragrance in two or three years ... if you have a great product," says Steve Ginsberg, Los Angeles bureau chief of Women's Wear Daily.

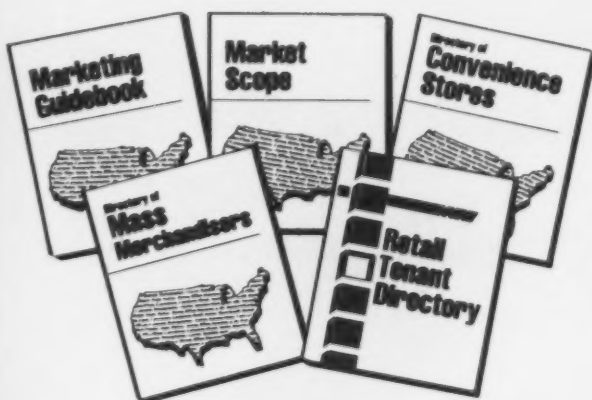
The Caesars name raises some doubts in at least one analyst's mind, however. "Giorgio had an upscale Beverly Hills image," notes Diana Temple, VP-stock research at Salomon Brothers, New York. "I wonder if [Caesars] image is strong enough to justify the price."

The floral, spicy Caesars Woman, created by Giorgio developer Florasynth, sells for \$160 per ounce, \$42.50 for a 3.3-ounce cologne spray. A four-ounce spray bottle of the men's cologne sells for \$32.50.

Competition from well-financed fragrance marketers promises to be very hot this year, Ms. Temple adds. Both Calvin Klein and Estee Lauder are introducing new fragrances, she says.

That doesn't dampen the hopes of H. Michael Hecht, chairman-CEO of The Broadway in Los Angeles. He fully expects the Caesars line to be among the chain's top three fragrances by 1989. The "aura and mystique" of Caesars resorts, well-known to Southern Californians, will convince customers to "take a chance," Mr. Hecht believes.

Get the complete retail picture with Progressive Grocer's **TRADE DIMENSIONS** library of directories.



The book of supermarket distribution facts.

The supermarket share guide to syndicated markets.

The book of C-store market facts.

The guide to retail mass merchandisers.

The prospecting guide to retail tenants.

Progressive Grocer's **TRADE DIMENSIONS**

For immediate service, call (203) 977-2814
Four Stamford Forum Stamford, CT 06901

L I C E N S I N G

Let us show you how our dynamic, packaged goods approach to licensing can significantly impact your bottom line.

Ceppos Consultants

1000 North Main Street, Suite 100
Stamford, CT 06901
(203) 356-7700

Once industry darling, Clarion gets makeover

By Pat Sloan

Its detractors say consumers have not heard the call to Clarion too clearly; fans say otherwise, pointing to a respectable \$46 million in sales. By yearend it should be obvious who's right.

This fall, an ad campaign from Clarion's new agency, Leo Burnett USA, Chicago, should be well in place along with a complementary skincare line, a souped-up program for the Clarion in-store color-analysis computer and refinements in Clarion's color selection.

By then the line also will be 2 years old. Whether it's going to catch on should be easier to judge as should the possible outcome of a significant legal dispute with Clarins USA (AA, Feb. 29 *et seq.*).

Opinion wasn't always so divided about the cosmetics brand the Noxell Corp. introduced in fall 1986. Within three months of launch, Clarion had chalked up \$25 million in sales. Wall Street gleefully predicted sales of as much as \$70 million for 1987.

Instead, Clarion sales slowed to \$9 million during fourth

quarter 1987, down from an estimated quarterly average of \$12 million, according to Shearson Lehman Hutton's Andrew Shore, who now estimates Clarion will hit \$55 million in sales this year.

Clarion's problems aren't only fiscal. Beyond the balance sheet, it faces possible legal action from Clarins USA, which has filed a complaint with the Trademark Trial & Appeal Board in Washington charging trademark confusion.

So far no lawsuit has been filed by Clarins in federal court. But that could change when Clarion goes into skincare, Clarins' specialty. Clarins USA President Joseph Horowitz says, "We are opposing their trademark registration. There is clear confusion. Customers are coming into department stores asking our saleswomen for Clarion lipstick. We don't even make lipstick."

Added Clarins attorney Susan Douglas, "We have proceedings going on all over the world. We've stopped them in other countries where they've tried to register their trademark. They've made a mistake and because of all the money they've spent they don't want

■ End of '88 to answer questions as legal woes and higher expectations haunt Noxell line

to admit it." A Noxell spokesman acknowledges discussion between the two companies but would not comment further.

The company has been just as quiet about other matters. Despite the shortfall in sales—widely believed to have sparked the January creative review that led to Burnett's succeeding 41-year Noxell agency Lintas:Worldwide on Clarion—Noxell has never acknowledged any problems with the brand. In fact, sources say, Noxell considers the shortfall Wall Street's problem, not Clarion's. One source close to the company says Noxell feels "that some analysts, in hindsight, had really unrealistic expectations for the brand."

Noxell steadfastly has denied the agency review stemmed from any difficulties, explaining the search for new creative instead was to "explore Clarion's full growth potential" (AA, Jan. 11).

While Noxell will not elaborate, one source explains, "The company's feeling is the brand is doing very well. It has a 6.9% dollar share in liquid makeup in chain drugstores and a 4.5% overall share. Lintas could have kept the business but Noxell thinks Burnett found something that will take the brands to bigger heights."

Still, Noxell observers have a hard time viewing such assessments without skepticism, reasoning if something needs fixing it must be broken. "Clarion needs to be more clearly positioned in the marketplace," says Brenda Lee Landry of Morgan Stanley, New York. "Management must work on solving Clarion's image problem and evening out its retail distribution. We continue to think that the company's advertising should be more pointedly hypoallergenic, i.e., a more precise message like Lauder's medicinally oriented campaign for Clinique."

Sources at Burnett say a new campaign has not been exe-

Gentle pulled in \$7 million in sales. Notes Tom Virtue, president of Roure Bertrand Dupont, a fragrance and flavor supplier, "It's a merry-go-round on the same dollar. Color each day is chewed up a little more by Maybelline and Cover Girl."

Noxell may have already begun to find Clarion a fashion niche. Noxell is broadening Clarion's color range, a possible indication it has decided to shoot for a fashion position after all. Slow-selling dark color shades have been phased out and four eyeshadows are being added as were new nail enamels last year.

"Things have smoothed out," says Gary Crawford, director of



A hit with retailers, the Clarion Color System computer can add programs, such as speaking Spanish to Hispanic consumers.

cuted yet. But other agency executives have indicated that Noxell is calling for a more focused brand image.

A diluted product message straddling both a hypoallergenic and fashion positioning is generally believed by market observers to have contributed to Clarion's shortfall in sales. "The question now is can Clarion figure out what it wants to be: hypoallergenic for sensitive skin or a fashion line?" says industry consultant Allan Mottus. He suggests a different solution than Ms. Landry. "Right now, the hypoallergenic market is getting cluttered," he notes. "There's L'Oréal from Colgate in skincare. Then in cosmetics there's Aziza, Almay, Physicians Formula and ancillary brands such as Revlon's New Complexion, Maybelline's Ultra Pure and even Noxell's own extension of its flagship brand Cover Girl with the Extremely Gentle spinoff."

"Clarion has a lot of opportunity on the color side. Cover Girl does not have a fashion image. That is not its reason for being, [which is] an all-American clean, clear look. That leaves Clarion room to be a fashion line," he says.

It's even possible that Noxell's flanking of Cover Girl with Extremely Gentle may have contributed to Clarion's shortfall. During 1987, Extremely

cosmetics and H&BA operations for Houston-based retailer Randall's. "Shade breaks will change now and will be ongoing with the seasons and fashion."

"At first, their reps weren't experienced at handling a fashion line. They were out of stocks in some stores; in others they were oversold," Mr. Crawford notes. "But I applaud their efforts."

This retailer is particularly enthused about the Clarion computer. While the computer created by New York-based Intermark originally acted as a basic guide to introduce consumers to the line, it has the capability of adding on more advanced programs. For instance, in areas with a high number of Spanish-speaking consumers, the computer will be bilingual in the manner of many bank automatic teller machines. In Canada, the Clarion computer will speak French in addition to English.

Its program also will be expanded to incorporate the skincare introduction and may eventually have other uses, too. Sources say the computer could easily be adapted to distribute coupons, or even show consumers how to apply makeup.

Michael Wahl, chairman-CEO of the Howard Marlboro Group, Intermark's parent company, (Continued on Page S-14)

any We're your in-store research specialists.

When your testing or information gathering needs include more than just supermarket outlets, call us.

We've worked every imaginable kind of retail store with hundreds of projects. And because we understand the trade issues, we can provide the proper test design and report the data in the most actionable format.

So, when your product needs multi-outlet attention, call us.

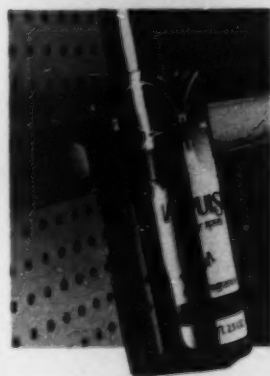
MARKET DECISIONS

Retail testing and tracking specialists

8280 Montgomery Road
Cincinnati, OH 45236
(513) 891-8000

707 Skokie Blvd.
Suite 600
Chicago, IL 60662
(312) 295-4343

INCREASE IMPULSE SALES



SHELF EXTENDER CLIP provides recognition for new products and produces dramatic sales increases. Snaps securely into price rail for visible, up-front placement.



Fasteners For Retail
1-800-422-2547
In Ohio 216-473-8899 FAX 216-473-8190
281 Alpha Park, Cleveland, OH 44113

Upscale tactics honed for mass market

By Faye Brookman

To put a jolt in lackluster sales, mass-market cosmetics companies continue to use coupons and sweepstakes promotions. But they also are emulating strategies more common to tony department stores.

That doesn't mean elegantly dressed women will be spritzing K mart shoppers with the latest scent, but it does suggest a new sophistication has come to marketing cosmetics and fragrances in food, drug and discount stores.

The industry can use the added excitement, observes Michael Wahl, chairman-ceo of Howard Marlboro Group, a New York-based sales-promotion company.

"What has happened in mass outlets is the fun has been taken out of shopping," he says. "It's fun to shop Bloomin's and get all those samples... but [today] women are caught in a time crunch and have to shop for cosmetics on food store or drugstore visits. The trick is to bring the department store to the mass outlet."

During the past 10 years women have been shopping more and more in convenient food, drug and discount stores. Department stores still control 43% of the estimated \$7.5 billion spent on all cosmetics and fragrances in 1987, but

Faye Brookman, a New York-based free lance writer, specializes in toiletries and beauty aids topics.

that share has dwindled; drug stores now snare 37%; food stores, 7%; and discounters, 13%, according to industry sources.

Breaking out the mass sales volume alone, A.C. Nielsen Co. figures reveal food stores are growing the fastest. Food stores' share jumped from 13% in 1986 to 18.7% last year; drugstores climbed slightly to 60.1%; discounters' share dipped from 24.4% to 21.2%.

As shoppers have become accustomed to buying blush with bagels, they also have become more discerning, says Carol Brennan, director of marketing/women's fragrances at Jovan, a division of Beecham Cosmetics, Chicago.

Fort Lee, N.J.-based Point of Purchase Institute research reveals more than 80% of shopping decisions are made in the store. Thus, in-store promotions are becoming a bigger factor in cosmetics purchasing.

Steven F. Costa, VP-marketing for Revlon Beauty Group, New York, says Revlon is becoming more aggressive with its promotions. "We are spending more because we feel it is important and it keeps Revlon exciting," Revlon Group's upcoming promotional tie-in with the Academy Awards includes a chance to win a trip to Hollywood and selection as one of Revlon's unforgettable faces.

The Academy Awards promotion also involves gift-with-purchase deals. The advent of the G-W-P in the mass market is important because mass retailers long have tried to find a

■ Drug, other stores put fun into cosmetics shopping via in-pack samples, gifts

method to give shoppers free gifts without adding sales help. They also perceive shrink-wrapping as having a poor image. Revlon's solution was to design a clip that attached the gift to the product.

L'Oreal, the mass-market division of Cosmair Inc., New York, also has plans for G-W-P promotions. L'Oreal's Lash Out Mascara features a free in-pack sample of Adieu Refreshing Eye Makeup Remover. Jovan is including free soap and bubble bath with its new Florals scents in a gift set presentation. Jovan also is planning a back-to-school calendar consumers can receive free by mailing in a proof-of-purchase.

Ironically, G-W-Ps are catching on in drug, food and discount stores just as the strategy is fading in department stores. "It is old hat in the department store—people can only use so many umbrellas," says consultant Allan Mottus. "Offering product is a smart way to go since it promotes future sales."

Says Mr. Costa, "Consumers want value and [G-W-Ps are] a good deal for them. We also hope it will encourage them to buy the product the next time."

Another tactic borrowed from department stores is the use of scent and color samplers. Rev-

lon is including color strips in its Celebrity Weekend booklet available in stores during the Academy Awards promotion. The strips—bulk cosmetics pressed onto paper for sampling colors—will be used to promote Revlon lipsticks, blush and eye shadow.

Jovan is taking the ubiquitous fragrance strip to a new level with its new cou-paks,

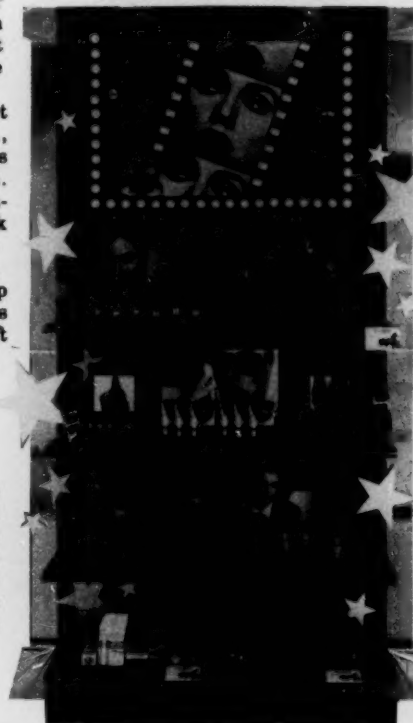
"The Noxell fixture got more stockkeeping units out in front of the customer, it alleviated the cluttered look in the stores and it allocated space properly to sales," explains Mr. Wahl. Noxell and Marlboro Group teamed up again last year to fill the service void in the mass market. The result was a computer that helped shoppers in their product selections. The computer was a key in the \$15 million launch of Clarion, a fragrance-free, sensitivity-tested line quickly dubbed the mass-market Clinique, which also uses a computer at its department store counters.

The Clarion computer marks the first, but not last appearance of computers in chain stores. Retailers say Clairor is testing a computer for hair colors and that it will be logical for a skincare marketer to educate consumers about its products via a computer. "Skincare will work in drugstores once the manufacturers educate the consumers," says industry consultant Jeanette Solomon, a former buyer for K&B Drugs in New Orleans.

Mass retailers also are adding gloss to their image by upgrading cosmetics departments with carpeting, service and better quality merchandise, plus accepting credit cards. The efforts are paying off.

In Houston, for example, a color cosmetics market leader is not a department store, but Randall's supermarket chain. Cosmetics sales are up at New Orleans-based Schwegman's supermarket chain, now that credit cards are accepted.

"The retailing sectors continue to blur," concludes Peter Scott, corporate VP-marketing/men's fragrance, Beecham Cosmetics. "The mass channels are looking more like department stores. It is all changing."



P.O.P. materials tie in Revlon Group cosmetics with next month's 60th Academy Awards.

two-piece promotions for Florals featuring a scented towellette on one side and a \$1-off coupon on the other.

Another important tool in the mass market is fixturing, an early success being the Beauty Boutique created by Marlboro Group for Noxell Corp. in the early 1980s. It has become an important tool in the mass market.

Clarion gets makeover

(Continued from Page S-12)

says, "We even have retailers calling who want to buy the computer themselves. Computers can create multiple purchases far and above what the normal purchase might be."

Noxell no doubt is in the market with Clarion to maximize corporate sales as much as possible, whether that be with a computer or other support such as advertising. Says Ms. Landry, "Cover Girl seems to be losing momentum."

At the same time, Cover Girl's archival Maybelline has been steadily gaining ground with 25% of its sales generated by products introduced in the last two years, according to Solomon Brothers analyst Diana Temple.

With Cover Girl accounting for well more than half of Nox-

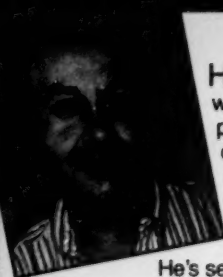
ell's cosmetics sales, it is important that Noxell build other strong brand franchises to lessen its dependence on a single brand.

Clarion is one option; indeed, when it was launched it was hailed by Wall Street as a logical way for Noxell to make up for any slowdown in Cover Girl sales as that brand matured.

But Noxell is expected to examine other options, including a fragrance launch under the Cooler name, skincare under the Cover Girl and Noxzema names and a major acquisition in toiletries or other personal care products.

Even a 20% sales gain this year won't put Clarion much over \$55 million in sales. And 20% is what most of those recently chastened Wall Streeters are predicting now.

Jim Mehern Wants Fulfillment



He's got a 55,000 square foot warehouse, a staff of dedicated professionals, state of the art computerized equipment, and experience in handling fulfillment programs for some of the largest marketers in the business.

He's sent millions of Cabbage Patch Kids doll adoption papers to little boys and girls across America as well as fulfilled millions of dollars in refunds for companies such as Nabisco. He excels at direct response solicitations and multi-brand refund offers, and treats the premiums he fulfills like family members.

And he does it all at some of the most competitive rates in the business.

Find out how professionally and inexpensively Jim and his crew can handle your fulfillment needs.

Call Don Jagoda Associates today.



don jagoda associates, inc.

One Underhill Blvd., Springfield, MA 01104 • (516) 496-7300

Fulfillment • Sweepstakes • Games • Incentives • Premiums

RESEARCH SPECIALISTS IN THE FEMALE MARKETPLACE!

ON...

- Products
- Services
- Communications

AMONG...

- Professionals
- HOH/Mothers
- Seniors
- Teenagers
- Children

**(313) 855-7810
TRENDFACTS**

**(313) 855-7812
PLAYLAB**

Dana Blackwell, Exec. V.P.
Donna Taglione, Dir. Rsch.
Jenny Van Dusen, Rsch. Mgr.
Sherry Schatmeyer, Fid. Dir.

3,000 years in test, line arrives in U.S.

By Laurie Werner

Readers of the Jan. 10 issue of the *New York Times Magazine* found a lush, 6-page ad featuring dreamy beauties resembling ancient Roman pin-up girls. It demanded attention.

Terme di Saturnia, the Italian skincare/treatment line featured in the ad, was being introduced in eight Saks Fifth Avenue department stores the next day. Making a splashy impression was definitely the intention. "We wanted a fast build in recognition, authority and credibility," says Audrey Butvay, president of Terme di Saturnia, the New York-based company that distributes the line. "We couldn't see coming in with little b&w column ads."

Her target market is not exactly optimum for another upscale treatment product line.

"With the exception of the quick-fix, problem-solving products—[Lauder's] Eyzone, [Lancome's] Niosome—the upscale skincare category growth is pretty flat," says New York-based industry consultant Alan Mottus. "The upscale price-point structure is saturated."

Laurie Werner is a New York-based free lance writer.

The audience with the income to buy \$75 to \$100 products is pretty limited and there are quite a few brands already promising a lot of different things." (The Federal Drug Administration is also carefully watching those promises.)

Ms. Butvay, however, feels the line's pricing—just below La Prairie and just above all of the rest—and formulation are the right combination.

"This is the first premiere skincare line created in, and imported from Italy," she says. (Says Mr. Mottus skeptically, "Italy has been known for its

■ Anti-aging concoctions from Italy mix the 'best of nature and the best of science'

fashion, its design, but never for skincare.") The 25 products in the line, from the Thermal-Fango therapeutic mud (\$25 for 1.7 ounces), to the Thermal-Plankton Rejuvenation Mask (\$70 for 4.2 ounces) have been developed from the thermal waters of Tuscany's Saturnia

spa, waters that have been bubbling up healing minerals for 3,000 years. Says Ms. Butvay, "This line is based on a natural phenomenon that's been going on all those years."

Adding to the mix is state-of-the-art scientific technology, according to Ms. Butvay, as practiced by the Institute of Aesthetic Medicine at Saturnia, which develops the products and came up with the line's skin analysis concept—the Critical-Age Skin Factor—to determine the skin's oil-moisture balance. The balance is measured by a diagnostic scanner, the Critical-Age Skin Sensor, and then adjusted with basal cell serums.

The institute also developed three "unique" ingredients, according to Ms. Butvay: Bioglea, an extract of the spa's thermal plankton; NMF 2, a hydrating ingredient intended to mimic the skin's natural system of hydration; and Incellate, an intracellular serum complex.

The products are "a blend of the best of nature and the best of science," Ms. Butvay says. "We deliver what we promise—we don't say we'll do away with wrinkles, but we can reduce the depth of some lines. We have the tests to prove it. We're comfortable with our claims. We're not worried about the FDA."

She's not worried about a competitive treatment line also using the principles and thermal waters of a spa—Princess Marcella Borghese's Terme di Montecatini. "Montecatini licenses the name. The products are made in [parent company] Revlon's factory in Arizona," Ms. Butvay says.

Borghese isn't worried about the competition, either. Vickie Kent, VP-marketing for Borghese says the products are made in the Phoenix factory, but they are based on the natural ingredients imported from the Montecatini spa also in Tuscany, which has been bubbling minerals for 2,400 years. "We're able to create natural, beneficial products with the most sophisticated, highest quality control methodology," she says.

Ms. Kent says Montecatini's positioning and concept are different. "The Saturnia line is higher-priced and more complicated. They're measuring the oil-moisture balance, which changes all the time. You have to return to the counter frequently to have it re-analyzed. Ours is a simple cleanse-tone-moisturize procedure."

The Saturnia line was introduced last summer at the Doral Saturnia International Spa Resort in Miami, a sister spa of (Continued on Page S-18)



The Terme di Saturnia ad explains the history of the upscale Italian skincare/treatment line.

Guys slow to get into the act

By Laurie Freeman

The men's cosmetics and skincare businesses in the U.S. have yet to live up to the billion-dollar potential touted by marketers more than four years ago.

Although women spend more than \$1 billion annually on skin-treatment products, retail sales of men's skincare products last year totaled only \$47 million. (This figure doesn't include men's shaving products.)

Most of the men's market purchases are still by women. One cosmetics industry analyst estimates that up to 80%

■ Men's skincare sales only \$47 million, but marketers expect foreign influences to make U.S. take notice

of all men's toiletries are bought by wives and girlfriends.

"Men don't think of running to Saks Fifth Avenue on their lunch hour to buy skin and face cream," says Andrew Shore, an analyst with Shearson Lehman Hutton. "Men still are more apt to buy their skincare needs at the mass-merchandise and drugstore level, and that's mostly shaving products."

While conceding that the category has grown more slowly than expected, men's toiletries' marketers are by no means discouraged. Executives point out that European men already are big users of men-only products, and young Japanese men not only use skincare treatments, but also are experimenting with cosmetics. The most popular line in Japan is Shiseido's Gear for Men, which includes bronzers and lip pomades. Eventually, industry executives say, those grooming habits will make their way to the U.S.

Other factors the industry expects will help expand the men's market is the baby boomer's growing preoccupation with aging; changing attitudes toward fitness and exercise; and a continuing influx of women into the nation's workforce. Working women, it seems, exert more influence on their office mates' grooming habits than previously thought.

Mr. Shore contends companies

haven't done anything to make the department-store environment more accessible to men.

"In many ways, it's like buying a condom for the first time," he says. "Because it's behind the counter, you have to ask for it... and that's hard to do. But if they [men's toiletries companies] want the category to grow faster than 10% in sales annually, they're going to have to come up with persuasive advertising to make men want to buy those products."

Because women still comprise the major segment of department-store shoppers, at least one company sees nothing wrong with reaching the men they want to use their products by selling them to women. For example, the Lauder for Men line, from New York-based Estee Lauder Inc., has won about 75% of the department-store market for men's skin-treatment products by putting the men's line on the same counter as the women's line.

"Once we've gotten men hooked on the treatment line, they're customers for life, much more so than women," says Bud Taylor, VP-marketing, Lauder for Men.

Mr. Taylor says that two years ago women made 75% of the Lauder for Men purchases. Now, it's a 60/40 ratio. "I don't think it will get better than 50/50, but that's OK," he says.

The company's current print campaign features actor Bruce Boxleitner in ads promoting Anti-Wrinkle Defense Formula and Skin Comfort lotion. AC&R, New York, handles Lauder for Men advertising. Mr. Boxleitner also makes in-store appearances, primarily to sign autographs and hand out sam-



Ads for Lauder for Men's anti-wrinkle agent claims the best offense is a good defense.



Beecham Products' Adidas line touts its U.S. Olympic Team connection.

ples of products.

Advertising men's products to women buyers is limiting the potential of the market, says Suzanne Grayson, a Santa Barbara, Calif.-based cosmetics-industry consultant. "Men are not as self-involved nor as youth-driven as women. Even in fragrance, the men's business is not developed as much."

"It's truly a Catch-22," she adds. "One company can't create a category, and if a category is not successful, other companies don't come into it."

Peter Scott, corporate VP-marketing/men's fragrance, Beecham Cosmetics, Chicago, believes the category still is undergoing "an educational process" to get men to use more than just an after-shave lotion.

"Certain brands have done it after years of trying, like Old Spice and Brut. (Continued on Page S-18)

Data bank — Toiletries & Beauty Aids

New beauty product introductions

Category	1987	1986
Color cosmetics	221	158
Skincare	181	154
Fragrance	90	72
Bath products	52	68

Source: Beauty Age

Cosmetics & beauty aids sales (1986)

(Dollars are in thousands)

Category		Percent Change
Cosmetics	\$4,900,000	+ 4.6%
Women's fragrances	\$3,000,000	+ 0.7%
Women's hair products	\$3,200,000	+ 4.6%
Men's toiletries	\$1,300,000	+ 12.0%
Skincare	\$2,600,000	- 1.6%
Personal hygiene	\$2,400,000	+ 4.4%

Source: Beauty Age
Consumer Spending Index

Five-year projected growth of retail skin care sales

(Face, hand, body lotions and creams)

(Dollars are in thousands)

Year	Total
1988	\$1,643,000
1989	1,774,000
1990	1,868,000
1991	1,979,000
1992	2,113,000

Source: Packaged Facts

Women's fragrance sales (1986)

(Dollars are in thousands)

Category		Percent change
Toilet water/ cologne	\$2,100,000	+ 1.0
Gift sets	\$ 324,300	- 2.1
Scented bath prods.	\$ 246,500	+ 1.8
Perfume	\$ 217,000	+ 4.6
Bubble bath	\$ 82,100	- 8.8
Total market	\$3,000,000	+ 0.7

Source: Beauty Age
Consumer Spending Index

Skincare sales (1986)

(Dollars are in thousands)

Category		Percent change
Face creams/cleansers	\$ 555,200	- 4.1
Face lotion/ moisturizers	522,000	+ 1.6
Other (including private label)	435,200	+ 2.8
Body lotions/ emollients	397,600	- 3.5
Acne preparations	157,700	- 2.8
Suntan products	137,400	- 12.7
Sunscreen blocks	112,700	+ 24.3
Cleansing pads	78,400	+ 9.1
Hand creams	65,800	+ 7.1
Cortisone products	45,000	- 8.8
Lip protectors	43,800	+ 4.0
Depilatories	37,200	+ 2.4
Whiteners/masks	29,700	- 45.1
Wrinkle removers/ astringents	14,200	- 16.9
Hair bleaches	7,100	- 6.0
Lip treatments	3,700	- 46.7
Total market	\$2,600,000	- 1.6

Source: Beauty Age
Consumer Spending Index

Line arrives in U.S.

(Continued from Page S-16)

the Tuscan original. For wider distribution, Ms. Butvay and the Doral owners, Carroll Management Group, formed the Terme di Saturnia company.

"I wanted to introduce this at Saks," Ms. Butvay says, "because to me it is a tremendously important specialty store with great prestige positioning and a loyal and identifiable customer base" of 29-to-45-year-old upscale, working women who will spend a little more to look their best.

Saks was immediately open to the idea. "I thought it was an interesting, clean line," says Terry Heagerty, VP-divisional merchandise manager for cosmetics for Saks in New York.

"I always think, 'Who needs another upscale treatment line?' but there was something about the look, the concept of this one—it was different and fresh, not terribly complicated, it didn't promise miracles, but it did have ingredients that would deliver results. And the way of testing the skin was a hook," she says.

Both Ms. Heagerty and Ms. Butvay thought the proper way to launch was to roll out and build slowly. On Jan. 11 the line was introduced in three New York area stores, three

Florida stores, and stores in Baltimore, Pa., and Boston. The launch was supported with a mix of national and regional print advertising.

"Because we would be primarily on the East Coast, true national advertising would not have been cost efficient," explains Ms. Butvay. "But as our agency, New York-based Stevens-Buchsbaum, decided the *New York Times Magazine* was perfect because it was local but created, at the same time, a national presence.

"We also ran an ROP ad, a co-op ad with Saks, in the *New York Times* front news section the same day, and four-color spreads in *New York* magazine, *Avenue* magazine, and an eastern regional insert in *Harper's Bazaar*," she says.

"In the other markets, we ran spreads in local magazines" including *Boston*, *Boca Raton* and newspaper co-op ads with Saks in the *Boston Globe*, *Miami Herald* and *Philadelphia Inquirer*. In New York, ROP ads ran in the *New York Times* "to give specific product messages," Ms. Butvay says. The company's ad budget for the launch was \$500,000, half of it for the *New York Times Magazine* ad.

The *New York Times Magazine* ad also ran an 800 number

that readers could call to order a \$75 introductory kit. Terme di Saturnia will not reveal the number of callers but will say that 40% of the kits that Saks ordered to satisfy the demand sold out within four weeks.

Ms. Butvay will not give out numbers, but will say that within six weeks of launch, Saks has placed its third re-order, and that first-time customers tend to buy three to four products; an average purchase is \$170.

Ms. Heagerty declines to reveal numbers, but says she was sufficiently impressed with the line's success to move up her additional rollout date. "We plan to move it into eight to ten other [not yet selected] stores in May."

Again, ads in regional magazines and ROP ads in local newspapers will support that launch.

By fall, Ms. Butvay also expects to be in other stores and to have expanded through the Midwest and Texas to the West Coast. National print ads will coincide with that phase. TV also is being considered.

"We'll expand selectively. At the most, we'll be in 150 to 200 doors," says Ms. Butvay. "But within three years, we plan to be a significant, upscale, prestige brand."

Guys slow to get in the act

(Continued from Page S-16)

It's OK to say 'I splash on Jovan Musk,' those brands have been around," he says. "But with designer names that men don't feel comfortable pronouncing, it's going to take longer."

Mr. Taylor believes marketing men's products has been a "combination educational process" for both the industry and its target audience.

"We're all trying to make men aware of skincare... and the aging of America has helped," he says.

Beecham's year-old Adidas line, which includes shampoo, fragrance and cologne, aftershave and a muscle lotion, hopes to further the educational process by advertising heavily during the Summer Olympics in Seoul, South Korea. Both the line's name-sake, the Adidas footwear and apparel line, and the fragrance/skincare line are official sponsors of the U.S. Olympic Team, giving Beecham's Adidas a natural association with the athletes.

Beecham already is running print ads with an Olympics logo and plans to launch an in-store promotion this summer. New TV spots will be on air by August, timed for the back-to-school season and the Olympics. HBM/Creamer, Boston, handles the Adidas line.

Ads in health clubs also are planned "since there we can reach men in a natural environment, where they're already using shampoo, soap and

muscle relaxants," says Mr. Scott.

"We're sampling the muscle lotion at ski resorts, and the response so far has been phenomenal," he says.

Beecham's Adidas may have a slight edge over department-store skincare lines because approximately 80% of all men's skincare product purchases are made in drug stores or mass-merchandise outlets, says Mr. Shore.

"There's still room in the market to persuade blue-collar workers to use skincare products, you don't see many auto workers using the upscale men's products," he says. "Most of the men's skincare business still is in the major cities like Boston, New York and Washington. It's not happening in Albuquerque."

Tony Michaels, VP-advertising and marketing at Lancome, New York, believes men will use treatment products and some cosmetics "if no one can see it." The cosmetics company introduced this month a Fluide Auto-Bronzant quick tanning lotion, which it says is the first lotion of its kind to be marketed to men in the U.S. under the Programme Homme label. In June, the company will launch an eye balm, also under the Programme Homme name.

"We're progressing from taking care of hair with gels, mousse, thickeners, to taking care of the skin. Ten years down the road, this [industry] will explode. The 1990s will bring tremendous changes, as Americans move into taking better care of themselves," Mr.

Michaels says.

He says print advertising has been "fairly effective" in helping introduce the Programme Homme men's line, which includes a gel cleanser and exfoliant and an anti-wrinkle creme. Publicis, New York, is the agency.

However, Lancome relies heavily on sampling at the counter and during sporting events to introduce men to the skincare regimen. "We've found that if we can get the product into a man's hand, he'll try it and come back to buy it," Mr. Michaels says.

One strategy to induce men to buy skincare products is to change the advertising approach. Industry analysts criticize current advertising as being too functional. It avoids the industry's main selling proposition: "Hope in a jar."

Mr. Shore believes the category in the next few years will undergo a great shift, once advertisers begin using more persuasive advertising. "Men are going to realize that there is nothing wrong in buying beauty products and taking care of themselves," he says.

Managing editor Cecilia Reed coordinated this report on Toiletries & Beauty Aids Marketing.

Coming

Next week ADVERTISING AGE's Special Report will focus on Sales Promotion. AD AGE will publish an extra issue on March 30, its annual Agency Income report.

Kit marketer hopes for bumper crop

By LENORE SKENAZY

The day after the Rev. Jimmy Swaggart confessed to all sorts of things, John David Peggs' bumper sticker read "Jimmy Swaggart, God's favorite sinner."

"People at lights would honk and ask me where I got it," said Mr. Peggs, 32, Tampa, Fla. He told them he made it with a nifty do-it-yourself Bumper Talk kit.

He generally didn't have enough time to add that he and his buddy Michael Maguire invented those nifty kits and expect them to re-

tail for \$2.79.

The idea was born last year when Mr. Peggs, a practical joker, created an original bumper sticker and affixed it to Mr. Maguire's car.

Unaware, Mr. Maguire drove to north Florida, wondering why a pickup truck seemed to be trailing him. He wondered even more when it followed him off the highway. And he had no idea what was going on when two guys got out, ambled over and asked, not real friendly-like, "Well, did you get any honks?" They pointed to the back of Mr. Maguire's car: "Honk if you hate rednecks."

Mr. Maguire didn't get mad. He didn't even get even. He simply called up Mr. Peggs and said, "Let's make a million dollars."

Mr. Peggs acquiesced, liquidated his real estate holdings and the two of them founded Stik-R-Kits, Fort Lauderdale, makers of Bumper Talk.

The kits come with one plain white bumper sticker, plenty of press-on letters and two red hearts.

"Use it to advertise your business or to support your local team," Mr. Peggs suggested. "Or just express yourself."

The buddies introduced Bumper Talk at the Tampa auto show in February and are traveling the trade show circuit in search of buyers and reps.

They've also developed Window Talk kits that look just like those yellow "Baby on board" signs, except you create your own message with stick-on letters.

Letters that allow for, say, practical joking. Which is to say that if you ever see a sign in Mr. Peggs' window reading "Honk if you kidnap babies"—don't be alarmed. It's probably just Mr. Maguire getting even. #

Foreign

(Continued from Page 33)

ber on the amount.

Ad spending in Brazil last year fell about 10%, and another 5% decline is anticipated this year in a country that continues to face skyrocketing inflation.

South Africa and Israel

The South African advertising industry had a better than expected 1987, with the first real growth—although slight at 0.5%—in four to five years, said Peter de Klerk, exec VP, Association of Advertising Agencies, Johannesburg. Even more growth—1.5%—is expected this year, industry sources said.

Israel's ad industry had a great year in 1987 with ad revenue growing 26.5%. However, a major reason for the increase was the 30% rise in the cost of ad space, said Branislau Tau, executive director, Advertisers Association of Israel, Tel Aviv. This year, spending is likely to decline 9%.

Asia/Pacific, Canada

In Japan, 1987 spending was higher than originally forecast due to unexpected growth in consumer spending in the second half. Ad expenditures increased 8.1%. Spending is projected to rise about 4.5% in 1988.

Australia barely managed 1% growth last year—only half of what was predicted, and expectations for 1988 are at best for no growth at all.

Even a big bicentennial sponsorship and ad spending spree won't compensate for the effects of the stock market plunge, which has made advertisers much more cautious.

In Canada, 1988 ad spending is expected to be stagnant. Spending will grow by 0.5% to 1% at best, most executives say.

Some say they think the market will be flat, while others such as Ron Burns, president, J. Walter Thompson Co., Toronto, remain bullish, predicting a 2%-to-3% rate of growth. #

Contributing to this report were Stephen Downer, Seymour Gottlieb, Julie Skur Hill, Des Kilalea, David Kilburn, Chris Kucway, Geoffrey Lee Martin, Michelle McCarter, Julia Michaels, Sean Milmo, Dagmar Mussey, Marina Specht, Lena Vanier and Claire Wilson.

alynn

108 DOGWOOD CT.
STAMFORD, CT 06903

**Silk Ties & Scarves
Designed With Your
Client's Logo Are
Inexpensive, Lasting
Investments In
Corporate Image.**

min. each

Handmade Ties 150 \$15
Scarves 100 \$15

Other fabrics avail. Color Catalog
(203) 322-5160 (800) 252-5966

some things get better with age

**The Ad Age Creative Workshop for
instance. And this year's program will
be bigger and better than ever!**

It's your chance to reap the rewards of all the newest techniques and latest developments in your industry. The Workshop sessions are conducted by leading advertising, marketing and media professionals, and are a great opportunity for you to learn, discover and grow.

At the Ad Age Creative Workshop, you will find sessions on today's most interesting topics, including the new alternative media, creating effective print advertising, music copyrights, Hispanic marketing, creative research techniques, sports marketing and sponsorship, the

latest in sales promotion, global advertising and much much more. Plus, you'll have the chance to exchange ideas with colleagues, make valuable new contacts and rub elbows with industry leaders.

What's more, this year we're offering many exciting extras, including a fast-paced tour of New York followed by dinner on board a magnificent yacht as it cruises around New York harbor. Optional activities include tic to one of Broadway's hottest new clubs and a chance to enjoy a major league baseball game.

Don't delay. This is your chance to get better with age. Ad Age that is. Call or write today for more information on this year's Advertising Age Creative Workshop.

ADVERTISING AGE
**CREATIVE
WORKSHOP**

**August 21-24, 1988
New York Hilton**

Telephone: 1 (800) 233-3435 In NY call: (212)
210-0209 Telex: 25-4248 • Fax: (312) 649-5331 •
Telecopier: (312) 649-5380

© 1988 Crain Communications, Inc.

☒ Please send me more information on the Ad Age Creative Workshop.

Name _____

Title _____

Company _____

Address _____

City/State _____ Zip _____

Telephone _____

Send to: Advertising Age Creative Workshop
220 East 42nd Street
New York, NY 10017
(212) 210-0209

C2710-1

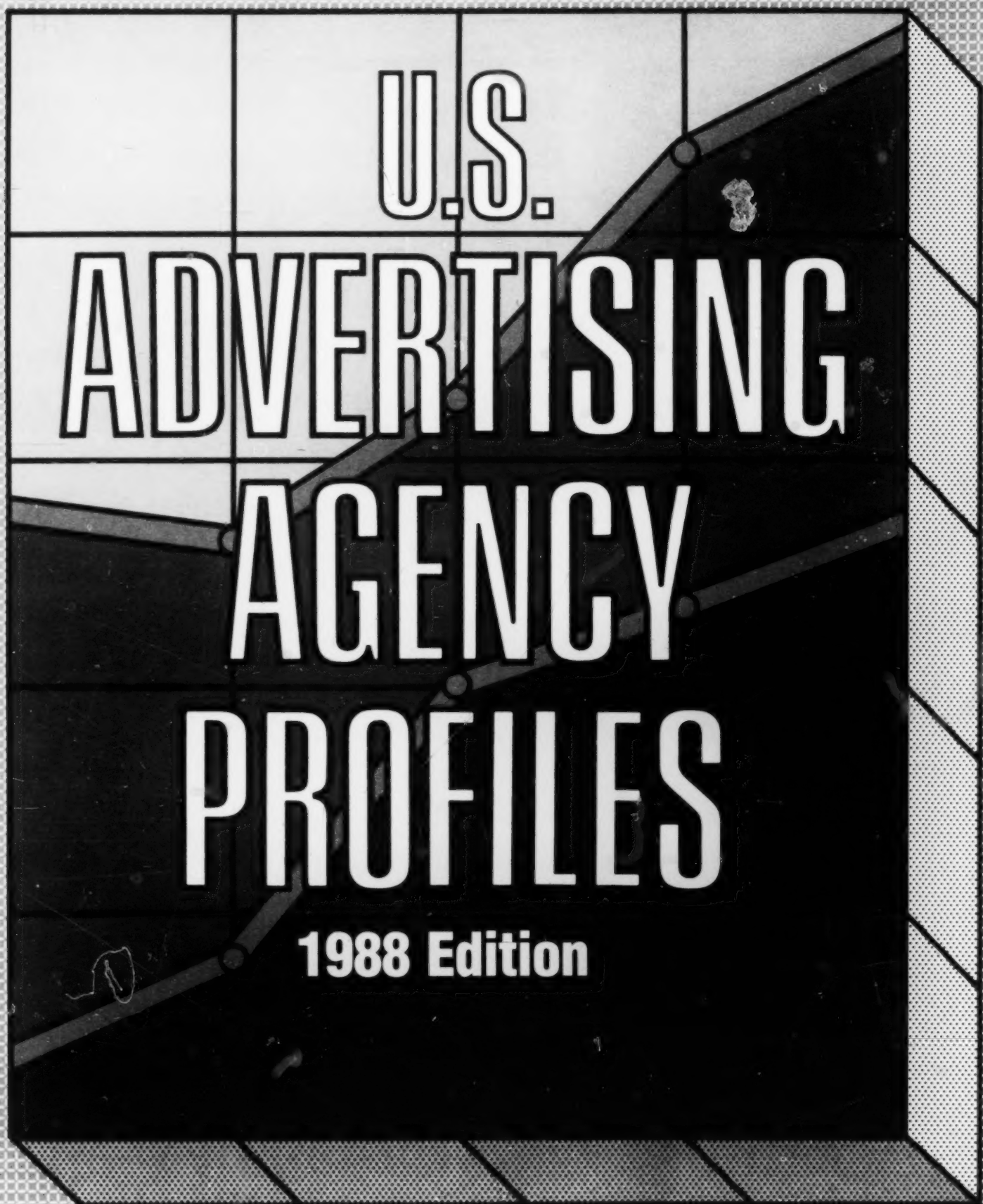
This issue \$3.00; \$64 a year

March 30, 1988

WASHINGTON
4520 EAST-WEST HWY #800
SRI ACQUISITIONS
CONGRESSIONAL INFO SERVICE
020190969 AAOB 8812 CUMP A+E
*****3-DIGIT 200

Advertising Age

Crain's International Newspaper of Marketing



U.S.
ADVERTISING
AGENCY
PROFILES

1988 Edition

Advertising Age

Crain's International Newspaper of Marketing

*Entire contents copyright 1988 by Crain Communications, Inc. All rights reserved.

U.S. ad income dips 4.6%

Returns from foreign agencies compensate for domestic declines to push worldwide gross income for the Ad Age 500 to \$9.6 billion, up 10%. Non-U.S. billings for the 500 grew to 35% of worldwide billings in 1987, up from 25%. Young & Rubicam, No. 1 in worldwide income for the seventh straight year, reported that overseas' income contributed 47.5% of its worldwide income, up from 43% in the prior year.

Copyright ©1988 by Crain Communications Inc. Quotations or reproductions in whole or part without written permission is expressly prohibited.

By R. CRAIG ENDICOTT

Young & Rubicam for the seventh consecutive year led all U.S. agencies in worldwide gross income with \$735.5 million in 1987. But nipping closely at its heels was Saatchi & Saatchi Advertising Worldwide, according to ADVERTISING AGE's 44th annual Agency Income Report.

Saatchi & Saatchi, reporting \$693.6 million, narrowed the \$137.9 million gap between Y&R and its No. 2 ranking in 1986 by more than two-thirds—a direct result of the merger of Saatchi & Saatchi Compton Worldwide and DFS Dorland Worldwide, both units of the world's largest agency mega group, Saatchi & Saatchi PLC. Prior-year figures in this report were restated to reflect current-year agency properties.

The dogfight was typical of battles that raged within the Ad Age 500, from the whole to its parts. The 500 charted the continued erosion in advertising in the U.S. Domestic billings dropped for the second consecutive year, although worldwide billings grew—a transformation made possible by overseas growth. Within the Ad Age 500, there was considerable belt-tightening by U.S. agencies as they cut back employment—also a factor of agency consolidation at the top. Traditional media, particularly network TV, continued to lose dollars to below-the-line spending. And the 500's regional competition for ad dollars heated up.

The AA 500, comprising the nation's leading advertising agencies, grew 10% in worldwide gross income to \$9.6 billion while U.S. gross income dropped a precarious 4.6% to \$6.2 billion. Worldwide billings grew 9.7% to \$65.7 billion, and U.S. billings declined 4.1% to \$43 billion. (See chart on Page 64.)

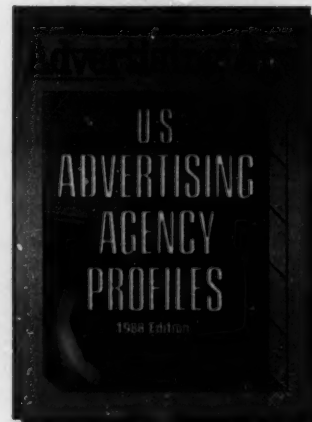
These totals compare the Ad Age 500 with a different set of agencies that comprised the 500 last year. However, comparing the component agencies in this year's 500 with their prior-year figures offers more encouraging results. Worldwide gross income and billings were each about 13.6% higher than the same group of agencies reported for 1986. Still, within the totals are found U.S. gross income of \$6.2 billion on billings of \$43 billion for percentage gains of 6% and 7.2%, respectively. Expansion abroad and exchange rate mechanics produced \$3.4 billion in foreign gross income, up 31.8%, on billings of \$22.7 billion, up 28%. Foreign billings as a result grew as a percentage of total billings from 30% to 34.6% for agencies in this year's AA 500.

Results from the two sets of figures—on one hand, the comparison of the new 500 to last year's 500 (a different set of agencies), and on the other, this year's 500 as a comparison with its own growth from last year—seem contradictory.

But it should be noted that 21 agencies ranked between 100 and 200 in last year's report did not report this year. Agencies new to the list this year made up only part of those lost billings, indicating that inclusion of those agencies would have softened the year-to-year decline of the 500. However, agencies provide various reasons for not reporting, and often

it's because of depressed numbers.

The results are even more chilling for the ad community when comparing this year's top 25 with results of the 1986 top 25—a difference of four agencies, all at the bottom of the 25. The top 25 has recorded declines in U.S. billings and in-



Jeffrey Tuth

come for two consecutive years, while its worldwide totals have gathered strength. Part of the explanation for the U.S. decline is that merged agencies are seldom as big as the sum of their parts, and this group has led the merger movement.

During 1987, the top 25 accounted for 55% of the 500's U.S. billings and 99% of the foreign. This averaged out to 70% of the 500's worldwide billings. Clearly, foreign billings were the catalyst for growth, recording \$22.4 billion, up 37.9% from

prior-year totals for the top 25. This compares with the top 25's domestic billings of \$23.5 billion, down 6.1% from prior-year totals.

The decline of the dollar against major currencies was the biggest influence on foreign growth. Prior-year foreign returns were not restated to reflect current exchange rates.

Sweet 16

Among the leaders in this year's report emerged the ad community's answer to the NCAA's "Sweet 16" in 1987. Membership in the agency world's exclusive "Sweet 16 Club" is enjoyed by agencies with at least \$1 billion in worldwide billings—ranging from Y&R with \$4.9 billion, to N W Ayer, whose acquisition of C&W Group last year helped boost its billings to \$1.2 billion. Most of the 40 agency acquisitions of U.S. agencies recorded among the top 100 were among these \$1 billion heavy-hitters.

This elite corps rewrote the book on mergers, starting with No. 2 Saatchi & Saatchi Advertising Worldwide and followed by its sister agency under the Saatchi & Saatchi PLC parent umbrella—Backer Spielvogel Bates Worldwide, No. 3. BSB is the product of last year's No. 3 Ted Bates Worldwide and No. 24 Backer & Spielvogel. Rankings are by worldwide gross income.

BBDO Worldwide, fresh from its merger into the Omnicom Group in 1986, climbed to No. 4 from No. 6 in 1986. Its overseas network carried the growth. Foreign billings at BBDO rose 23.1%, as U.S. billings rose only 6.3%.

Ogilvy & Mather Worldwide collected strong returns abroad to buttress a 4.8% (Continued on Page 2)

Ad Age's billion dollar club

Sweet 16 form elite corps in worldwide billings

By worldwide gross income

Rank	Agency	Worldwide gross income
1	Young & Rubicam	735.49
2	Saatchi & Saatchi Advertising	693.59
3	Backer Spielvogel Bates	600.70
4	BBDO Worldwide	537.04
5	Ogilvy & Mather Worldwide	528.60
6	McCann-Erickson Worldwide	512.52
7	J. Walter Thompson Co.	483.03
8	Lintas:Worldwide	417.87
9	D'Arcy Masius Benton & Bowles	371.27
10	Leo Burnett Co.	369.24
11	Grey Advertising	369.20
12	DBD Needham Worldwide	358.50
13	Foote, Cone & Belding	344.60
14	HDM (33% Y&R)	203.97
15	Bozell, Jacobs, Kenyon & Eckhardt	185.15
16	NW Ayer	166.07

By U.S. gross income

Rank	Agency	U.S. gross income
1	Young & Rubicam	385.76
2	Saatchi & Saatchi Advertising	328.05
3	BBDO Worldwide	311.38
4	Ogilvy & Mather Worldwide	261.65
5	Backer Spielvogel Bates	261.60
6	Foote, Cone & Belding	244.16
7	J. Walter Thompson Co.	243.00
8	Leo Burnett Co.	232.47
9	Grey Advertising	218.20
10	DBD Needham Worldwide	218.01
11	D'Arcy Masius Benton & Bowles	196.75
12	Lintas:Worldwide	166.11
13	McCann-Erickson Worldwide	161.62
14	Bozell, Jacobs, Kenyon & Eckhardt	158.90
15	NW Ayer	116.16
16	Wells, Rich, Greene	114.00

By worldwide billings

Rank	Agency	Worldwide billings
1	Young & Rubicam	4,905.71
2	Saatchi & Saatchi Advertising	4,609.44
3	Backer Spielvogel Bates	4,068.70
4	BBDO Worldwide	3,664.50
5	Ogilvy & Mather Worldwide	3,663.80
6	McCann-Erickson Worldwide	3,418.50
7	J. Walter Thompson Co.	3,221.80
8	Lintas:Worldwide	2,787.20
9	DBD Needham Worldwide	2,581.55
10	D'Arcy Masius Benton & Bowles	2,494.28
11	Grey Advertising	2,482.60
12	Leo Burnett Co.	2,461.79
13	Foote, Cone & Belding	2,298.45
14	HDM (33% Y&R)	1,383.61
15	Bozell, Jacobs, Kenyon & Eckhardt	1,325.00
16	NW Ayer	1,217.78

By non-U.S. billings

Rank	Agency	Non-U.S. billings
1	Saatchi & Saatchi Advertising	2,422.43
2	McCann-Erickson Worldwide	2,340.46
3	Young & Rubicam	2,332.71
4	Backer Spielvogel Bates	2,260.70
5	Ogilvy & Mather Worldwide	1,918.61
6	Lintas:Worldwide	1,679.27
7	J. Walter Thompson Co.	1,601.02
8	BBDO Worldwide	1,419.76
9	HDM (33% Y&R)	1,177.64
10	D'Arcy Masius Benton & Bowles	1,161.96
11	Grey Advertising	1,007.20
12	DBD Needham Worldwide	965.52
13	Leo Burnett Co.	911.83
14	Foote, Cone & Belding	669.90
15	TBWA Advertising	419.12
16	NW Ayer	339.73

NOTES: Dollars are in millions. Ranking includes 1987 year-end figures for U.S.-based agencies only. See Page 4 for more footnotes to charts. * Backer Spielvogel Bates is restated from published reports (AA, March 14) because it failed to include its subsidiaries, Campbell-Milham and AC&R/DH&B, in earlier reports to AA. Source: Advertising Age survey. Copyright © 1988 Crain Communications Inc.

AA chart: Kevin Brown

U.S. ad income dips 4.6%

Among the media kingpins, Leo Burnett funneled most of its strong U.S. billings gains into network TV where it spent \$675.4 million to best runner-up Saatchi & Saatchi Advertising Worldwide with \$638 million.

(Continued from Page 1)

growth at home and retain its No. 5 position. McCann-Erickson Worldwide moved up a notch to No. 6 on the basis of strong overseas growth and domestic acquisitions, including the year-end buyout of the U.S. portion of last year's No. 39, Geers Gross Advertising.

The award for perseverance goes to J. Walter Thompson Co. for surviving a buyout by WPP Group PLC, wholesale management turnover and a slew of departing clients. Worldwide billings at JWT eked out a 2.6% gain—the product of a 13.6% gain abroad compared with a 6.4% drop in U.S. billings.

Lintas Worldwide, No. 8, forced its way up the ladder with its 41.1% growth in foreign billings from the Lintas network and the domestic merger of last year's No. 13 SSC&B:Lintas Worldwide with 1986's No. 19 Campbell-Ewald Worldwide, both within the Interpublic Group of Cos.

D'Arcy Masius Benton & Bowles retained its No. 9 ranking, and Leo Burnett Co. rose from No. 12 to No. 10, virtually in a dead heat with No. 11 Grey Advertising. Chicago-based Burnett, the only "outside" agency to crack the New York-dominated top 10, had U.S. billings growth of 13.8%—one of the strongest performances by any of the top agencies.

There were 19 new entries in this year's top 100 chart, although five were name changes caused by mergers, including No. 14 HDM, the product of the merger of last year's No. 17 HCM and No. 28 DYR Worldwide. HDM is one-third owned by Young & Rubicam, AC&R/DHB & Bess, No. 35, is a new Saatchi & Saatchi PLC agency transformed from last year's Nos. 65, 81 and 91—AC&R Advertising, Diener/Hausen/Eates Co. and Sawdon & Bess Advertising, respectively.

Strong performances pushed most of the other new entries onto the list. Two medical agencies and Thomas G. Ferguson Associates (79) and Vicom/FCB (89)—reported U.S. billings gains of 36.1% and 51.3%.

Media struggles

Media billings grew to \$28.8 billion, up 3.9% from 1986, according to the 442 agencies that broke out media. A number of larger agencies do not break out media. As it was, media totals represented 67% of total U.S. billings capitalized, down from 70% in 1986 among the same set of agencies. Materials and services and fee income are other revenue streams that comprise capitalized billings.

Network TV expenditures of \$8.25 billion represented about 28.6% of the media placed by the 442, down from 30% in 1986; spot TV accounted for \$6.86 billion, or 23.8% of all media, up from 23.1% in 1986; magazines totaled \$4.1 billion, or 14.1% of all media, down from 14.4%; newspapers totaled \$3 billion or 10.3%, up from 9.8%, and direct response recorded billings of \$2.1 billion, or 8.3% of the total, up from 7.6%.

Among the media kingpins, Leo Burnett funneled most of its strong U.S. billings gains into network TV where it spent \$675.4 million to best runner-up Saatchi & Saatchi Advertising Worldwide with \$638 million. Among top 10 agencies in network TV billings, four reported spending declines.

Network TV took a beating, dropping 0.7% from the prior year. Total network TV billings in the U.S. is estimated at \$8.83 billion, according to Robert J. Coen, McCann-Erickson. The 500 placed 93% of that.

Saatchi & Saatchi dominated the spot TV billings chart with \$520.5 million vs. \$356 million for runner-up Y&R. Saatchi also grabbed the magazine lead with \$251.9 million vs. \$200.9 million for No. 2 in the category, Leo Burnett; J. Walter Thompson led newspaper billings with \$171.3 million vs. \$133.6 million for Nationwide Advertising Service.

Direct response continued to be the fastest growing media sector. Ogilvy & Mather Direct Response, which includes O&M's A. Eicoff & Co., nosed out Y&R's Wunderman Worldwide, \$260 million to \$259.9 million, for No. 1.

Regional ad competition

Regional ad performances followed overall economic patterns governing major ad markets. New York agencies account for about one out of every two dollars spent by agencies in the U.S. Its overall billings were \$19.7 billion, up 7.3%, placing it well ahead of No. 2, Chicago, with \$5.1 billion, up 7.2%.

Los Angeles, recording a nominal growth of 4.8% to \$2.8 billion, held off a fast-closing Detroit where billings jumped 9.8% to \$2.6 billion. San Francisco billings increased only 2% to \$1.3 billion. Tightly packed into the next three positions were Dallas, Boston and Minneapolis. Dallas seems most vulnerable to a drop in ranking, recording only 2% growth to \$897.6 million. Boston grew 8.4% to \$859.3 million and Minneapolis 13.5% to \$815.4 million. Philadelphia kept its No. 9 spot with \$743.4 million, up 14.7%—the largest increase among the top 10.

Only Atlanta, with \$468.1 million, dropped from last year's top 10 as total

billings fell 2.3% to \$468.1 million. The biggest agencies in Atlanta consolidated in 1987 and Cleveland thus slipped into 10th place with \$395.3 million, up 12.7%. Advertising growth in the cities is based on comparative years for this year's agencies.

Employment/productivity

Merger activity and the slowed economy heavily affected employment among the 500. Forty of the top 100 agencies declined in employment.

The top 25 in particular showed merger footprints—redundancies and streamlined operations. While personnel totals for the 500 rose 4.9% to 124,847 worldwide and 2.7% to 73,106 in the U.S., the top 25 dropped 0.9% on the domestic side to 39,487 although mustering a 3.9% gain worldwide to 91,027. Not all the 500 report employment totals.

Some of the bigger agencies had to deliver pink slips during the year, including J. Walter Thompson Co., which pared its employment rolls by 17.4%, FCB, which cut its staff by 9.9%, Bozell, Jacobs, Kenyon & Eckhardt by 10.7% and HDM by 30.8%.

These troubling payroll cuts on Madison or Michigan Avenues had a positive impact on productivity as measured by employees per \$1 million in U.S. billings,

because 73 of the 100 reported productivity improvement.

Heading the 100 in productivity was Towne, Silverstein, Rotter, where 0.54 employees produced \$1 million in billings. This compares with 0.69 in 1986 for the agency which pared its staff from 56 in 1986 to 45 in 1987.

Avrett, Free & Ginsberg ranked second at 0.65, was slightly less productive than the prior year when it ranked No. 1 with 0.63 employees per \$1 million in billings.

Within the top 10 in productivity, two of the hottest shops, Fallon McElligott and Hal Riney & Partners, showed why they are hot. Both showed strong productivity gains—Fallon by 13% to 0.89 and Riney by 23% to 0.93—despite increasing employment. Fallon's staff grew by 17.6% and Riney's by 37%.

PR's influence

Public relations, once a support service within advertising agencies, has broadened not only into a profit center but in many cases into a stand-alone highly independent entity within the larger agency network.

PR fees folded into agency income totals can be substantial—in the top 10 agencies they contributed \$221.2 million in 1987, equivalent to \$1.48 billion on the billings side when capitalized. Capitalizing treats fees as if they were the 15% media commission by factoring up the fees by a 6.67 multiplier to arrive at a billings equivalent.

The practice of including the fees in agency gross income is debatable. Saatchi & Saatchi PLC, the agency holding company, gains extensive PR fees from Rowlands but does not fold them into agency totals because it seeks a media-only generated gross income and billings. This runs counter to the practice of many agencies who strive to be "seamless" by of-

fering one-stop shopping for a whole assortment of advertising, marketing and communications needs. PR is considered one of those integrated, "seamless" services.

Aside from the philosophical issues, PR has the power to juggle the top six rankings in worldwide gross income. Excluding PR income, Young & Rubicam is most affected on the chart. It owns Burson-Marsteller, which contributed \$137.2 million in fees to Y&R worldwide gross income in 1987. Without those fees, Y&R would drop to No. 3 in worldwide gross income. Moving past it into the top spot is Saatchi & Saatchi Advertising Worldwide, followed by Backer Spielvogel Bates Worldwide, neither of which include PR.

BBDO Worldwide would remain No. 4 in worldwide gross income despite including \$22.7 million in PR fees from Doremus Porter Novelli. Ogilvy & Mather Worldwide would yield its No. 5 ranking to McCann-Erickson Worldwide because O&M PR includes \$25.9 million in fees in its ad total.

Agency mega groups

Until last year, the headlines announcing mega-acquisitions within the ad industry often contained the teaser—"the British are coming"—as a reference to Saatchi & Saatchi PLC's storming of Madison Avenue. In 1987, the British arrived—in triplicate.

Saatchi & Saatchi PLC again made the group holding company race a one-horse affair in reporting \$1.7 billion in gross income on \$11.4 billion in billings, a figure that includes non-media capitalized fees. But two other British entities—WPP Group PLC, No. 4 in worldwide gross income, and WCRS/Belier, No. 6—claimed sizable U.S. territory for the first time.

WPP, a little fish even in British territorial waters, swallowed up last year's fourth largest agency mega group, JWT Group, in a \$566 million buyout. Considerable fallout resulted, however. Clients spilled from JWT and two weeks ago, six principals left Lord, Geller, Federico, Einstein, an independent agency within the old JWT Group, to form Lord, Einstein, O'Neill & Partners. WPP quickly slapped a suit on the new agency in an effort to prevent it from soliciting WPP clients.

Interpublic Group of Cos. grew 20.7% in worldwide gross income to remain No. 2 at \$992.9 million on billings of \$6.6 billion. Omnicom Group was No. 3 at \$895.5 million, up 9.2%, on worldwide billings of \$5.8 billion. WPP's fourth place finish was based on \$892.5 million in worldwide gross income on \$6 billion in billings. Ogilvy Group was No. 5 with \$723.9 million in gross income, up 31.9%, on billings of \$5 billion.

WCRS finished sixth with \$230.2 million in worldwide gross income on billings of \$1.6 billion. WCRS's major U.S. properties are HBM/Creamer and Della, Femina, Travisano & Partners, agencies ranked No. 32 and 38, respectively, in worldwide gross income in this report.

Agency brands

Saatchi & Saatchi Advertising Worldwide supplanted J. Walter Thompson as the leading agency by U.S. "brand" name with \$1.7 billion in U.S. billings. The "brand" agency is arrived at by unbundling subsidiaries from the core agency.

Saatchi & Saatchi's core agency grew 16% in U.S. billings from the prior year on a historic basis which treats current-year composition as if it existed in the prior year. Saatchi & Saatchi's core shop bears the Saatchi & Saatchi/DFS logo. Leo Burnett finished a strong No. 2 as it did in 1986 with \$1.6 billion in U.S. billings, up 13.8%. J. Walter Thompson had only 0.5% growth to \$1.5 billion, dropping to No. 3. The only other major swing among the top 10 core shops was Ogilvy & Mather. It dropped from No. 5 a year ago to No. 10 with \$1.1 billion in U.S. billings, up only 1.6%.

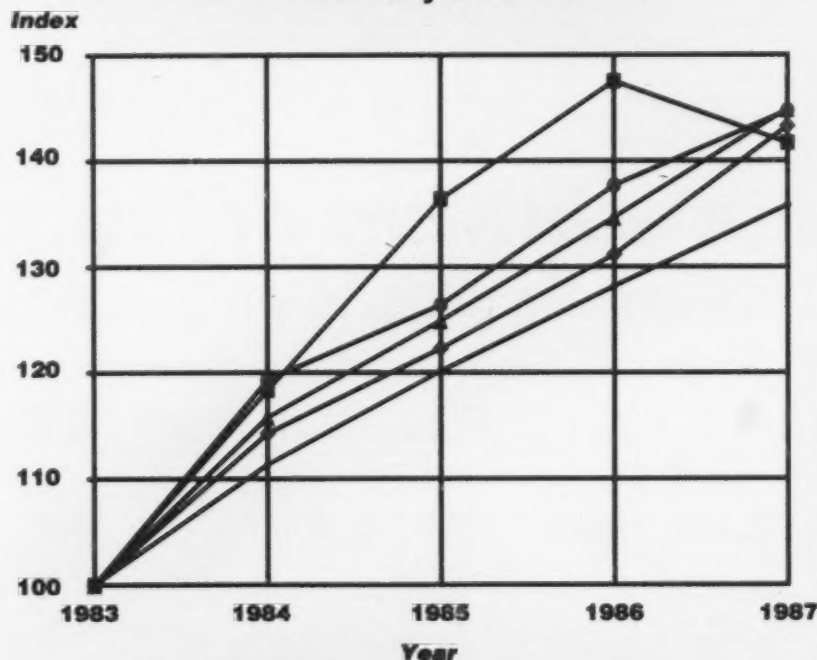
PR chart correction

Doremus Porter Novelli contributed pr income of \$22.7 million to BBDO Worldwide, reducing BBDO's worldwide gross income without pr to \$514.3 million. This does not change its No. 4 ranking on the Page 77 chart that shows PR's influence on the top 10 agencies.

Agency personnel and facilities

	Top 25 agencies		Top 100 agencies		Top 500 agencies	
	1987	1986	1987	1986	1987	1986
Worldwide personnel	91,027	87,613	108,114	103,470	124,847	119,039
Domestic personnel	39,487	39,847	56,438	55,689	73,106	71,206
Worldwide offices	1,599	1,528	1,921	1,837	2,477	2,358
Domestic offices	479	479	751	736	1,296	1,246

Advertising Age 500 index from base year 1983



- Gross national product
- ◆ Total estimated annual U.S. newspaper advertising expenditures
- Total estimated annual U.S. TV advertising expenditures
- ◀ Total estimated annual U.S. advertising expenditures
- Total U.S. billings of the Advertising Age 500

NOTES: Index based on percent change since 1983. Sources: Gross national product and total estimated advertising expenditures from Robert J. Coen, McCann-Erickson. U.S. billings from AA survey.